

Liberia Opposition Figure Tells U.S. Of Alleged Irregularities in Election

By Blaine Harden
Washington Post Service

MONROVIA, Liberia — Jackson Doe, who was a presidential candidate for the opposition in last week's national elections here, has presented a long list of alleged voting irregularities to Edward Perkins, the U.S. ambassador to Liberia, it was learned here.

Mr. Doe was said to have told the ambassador that opposition politicians feared retribution from the country's military leader, General Samuel K. Doe. The two Does are not related.

While the government of General Doe claimed to be scrupulously counting votes, a large mound of ballots was found burning Monday about 40 miles (65 kilometers) north of Monrovia.

A senior member of the government said they were the ballots from a county that had voted 95 percent against General Doe.

The charred ballots, photographed by local reporters and dispatched by opposition parties to the U.S. Embassy, are the most dramatic evidence of what appears to be a major effort by General Doe's supporters to alter the results of the Oct. 15 election.

Authoritative independent observers say that reports from major polling centers across Liberia confirm claims by the opposition Liberian Action Party that Jackson Doe, its candidate, won the election. The government has not yet released official results.

The U.S. government, whose aid constitutes nearly a third of the Liberian budget, has been directed by Congress to cut off \$86 million of the aid if the election is found not to be "free and fair."

The night before the election, General Doe spoke on television. "Our commitment has been unique in the history of military



Samuel K. Doe

governments anywhere," he said. "This is our first test of the truly democratic experience." He added, "History will be our judge."

The election brought out record numbers of Liberian voters. They had been told they were to be given a greater voice in choosing a leader than at any time in the 138 years since the nation was founded by freed American slaves.

Irregularities soon became apparent. On election day, opposition observers were prevented from monitoring voting at military barracks, where some voters were reported to have been free to vote as many times as they wished.

Asked later about this, Emmett Harmon, the chairman of Liberia's Special Election Commission, said he saw no reason to question the voting. Mr. Harmon, a lawyer, was appointed by General Doe, as were all the members of the election commission.

Mr. Harmon, 72, rejected the va-

lidity of all election-night vote counts monitored by observers from opposition parties. These parties had been given the right to observe vote-counting through laws approved by General Doe.

Last weekend, Mr. Harmon selected a 50-member committee to conduct an official ballot count in private, an apparent violation of the new laws.

According to independent observers here, the counting committee includes two senior aides to General Doe, 19 members of the general's Krahn tribe, which makes up 5 percent of Liberia's population of two million, and many avowed supporters of General Doe's political party, the National Democratic Party of Liberia.

The opposition Liberian Action Party charged Monday, and independent observers said Tuesday, that ballots cast against General Doe were pulled from ballot boxes last weekend and replaced with ballots for him.

An observer said that General Doe's party has decided to announce that the head of state officially won 45 percent of the vote, while Jackson Doe won 40 percent and two other candidates split the rest.

General Doe came to power in 1980 when, as a master sergeant, he led a group of noncommissioned officers into the presidential mansion and assassinated the president, William R. Tolbert Jr.

Since that time, U.S. government assistance to Liberia has increased sixfold. An avowed purpose of the rise was to entice General Doe to hold elections that would return the country to civilian rule.

Leading opposition politicians argued Tuesday that the U.S. government should pressure General Doe's government to call new elections or resign.



Prime Minister Rajiv Gandhi of India reads a statement about apartheid in South Africa to a gathering at the UN, as Indonesia's foreign minister, Mochtar Kusumaatmadja, listens.

Gandhi Reaffirms Nonaligned Policy

Warns Against Siding With Power Blocs, Criticizes U.S.

By Elaine Sciolino
New York Times Service

UNITED NATIONS, New York — Rajiv Gandhi, arriving here on his first visit to the United Nations since he became India's prime minister, reaffirmed his government's professed policy of non-alignment and warned against isolationism.

In a speech to a meeting of the nations espousing nonalignment, Mr. Gandhi warned Tuesday that nations "not aligned with either of the power blocs face new and sinister threats of intervention, interference and pressure."

"The world continues to be threatened by bloc antagonisms and threatened by inequalities," Mr. Gandhi told a standing-room-only crowd in the Trusteeship Council chamber that included leaders from around the globe. "We prize our independence and equality and reject attempts to dominate us."

Mr. Gandhi launched a veiled attack on the United States, saying that "the United Nations itself has recently become a target for powerful nations who deny its methods" and "seek to reduce their own commitment to it and bypass it on every conceivable occasion."

The United States recently announced its intention to cut back its contribution to the United Nations unless weighted voting on budgetary matters is adopted, and also announced its withdrawal from political cases considered by the International Court of Justice.

The symbolic importance of Mr. Gandhi's decision to make his UN debut by addressing the nations professing nonalignment, rather than another forum, was lost on no one. India currently heads the non-aligned group, and Mr. Gandhi has established a reputation as a champion of that movement.

[Mr. Gandhi met Wednesday with President Mohammed Zia ul-Haq of Pakistan. An aide said the two "emphasized the need to improve bilateral relations," according to United Press International. Mr. Gandhi articulated the great concern by India "about Pakistan's nuclear weapons program," he said. (General Zia reassured the Indian leader his country "did not have such a nuclear program," the aide added.)

In other speeches Tuesday: The prime minister of Sri Lanka, Ranasinghe Premadasa, appealed to the General Assembly to approve an emergency resolution asking the United States and the Soviet Union to reduce their military expenditures by 40 percent over the next five years.

President Mauno Koivisto of Finland, speaking of concerns about global security and nuclear warfare, "Many questions haunt us at this anniversary celebration: Do we live today in a better world than we did 40 years ago?" he said.

"Is there now less violence and warfare? Is there less human suffering in the world? Do the nations feel more secure and confident in their future? Simple answers are not possible."

"But these questions are worth asking. I am afraid that some of the answers would not meet the expectations of the statesmen who created the new world organization in 1945."

The chancellor of Austria, Fred Sinowatz, outlined four proposals that he suggested would strengthen the world organization and "replace resignation with constructive" hope.

The proposals called for greater Security Council responsibility for maintaining world peace, a more active role for the secretary-general in resolving crises, the solution of "pressing economic and social problems" around the world and

continued operations of UN peace-keeping forces.

President Radovan Vukobratovic of Yugoslavia called on the General Assembly to "oppose having key world problems resolved within the narrow circles of the big and mighty."

Mr. Vukobratovic said Yugoslavia, one of the founding members of the world organization, desired "the renewal and promotion of the process of substantive negotiations within the framework of the United Nations."

He said he hoped the "great powers" would reduce the possibility of conflict through their renewed negotiations. But for détente to become "all-embracing," he said, every country in the world must take part.

Prime Minister Turgut Ozal of Turkey said that the United Nations should give "a new impetus" to efforts to settle regional conflicts and promote economic cooperation.

Turkey, he said, "has a direct stake in the peace and stability of the region."

U.S., Spain Open Talks On Troops

MADRID — The United States and Spain began defense talks Wednesday that are expected to focus on Madrid's demands for a reduction of U.S. military personnel, diplomatic sources said.

The talks stem from changes in defense policy after the Socialist government reversed its opposition to Spain's membership in the North Atlantic Treaty Organization — hastily agreed to by a centrist government in 1982 — shortly before it lost the elections to the Socialists.

Prime Minister Felipe Gonzalez, tied by earlier promises to call a referendum on NATO membership, has stated that he will campaign for continued membership linked to a reduction in U.S. troops.

The United States has more than 2,000 troops stationed at three air bases and a naval base under a friendship treaty that has been periodically renewed since 1953.

The outcome of the referendum, likely to take place next spring, remains uncertain. Opinion polls consistently have shown that a majority of Spaniards oppose ending the neutrality that has kept them out of the two world wars.

Last week, a poll showed for the first time that a majority favored keeping Spain in NATO, but outside its military structures, while cutting the number of U.S. troops.

Delegations at Wednesday's talks were headed by the U.S. ambassador to Spain, Thomas O. Eiders, and Mariano Cajas, the secretary-general of the Spanish Foreign Ministry.

WORLD BRIEFS

Fabius to Attend French Nuclear Test

PARIS (AP) — Prime Minister Laurent Fabius and Defense Minister Paul Quilès left Wednesday to attend a French underground nuclear test at the Pacific test site on Mururoa atoll, expected later this week.

Journalists will be present during a test for the first time. On Tuesday French television stations showed, for the first time, filmed shots of water in the Mururoa lagoon frothing from the shock wave of an earlier test. The first photograph of the phenomenon appeared in a French magazine this month.

Mr. Fabius has acknowledged that French secret agents blew up the Greenpeace anti-nuclear protest ship Rainbow Warrior in Auckland, New Zealand, on July 10, killing a photographer. Two French agents face pretrial hearings in New Zealand on Nov. 4.

Progress Reported in Lebanese Talks

BEIRUT (UPI) — Syrian-inspired peace talks between Lebanon's Christian and Muslim militias may lead to a Lebanese national congress in Damascus next month aimed at ending 10 years of civil war, Syrian and Lebanese sources said Wednesday.

Elie Hobeika, leader of the Lebanese Forces, the most powerful Christian militia, returned to Beirut on Wednesday saying that "we are on the right track" after seven hours of talks Tuesday in Damascus with the chief mediator, Vice President Abdel Halim Khaddam of Syria.

Despite Mr. Hobeika's optimism, sporadic skirmishes continued early Wednesday across the Green Line dividing Beirut's Muslim and Christian sectors.

Dutch Approval Expected on Missiles

AMSTERDAM (Reuters) — The Dutch parliament is set to approve a draft agreement Thursday with Washington on deploying U.S. cruise missiles in the Netherlands, political sources said Wednesday.

Speeches during a three-day debate on the draft accord, which covers arrangements for siting and control of the nuclear missiles, made it clear that the agreement would win a majority in voting Tuesday, they added.

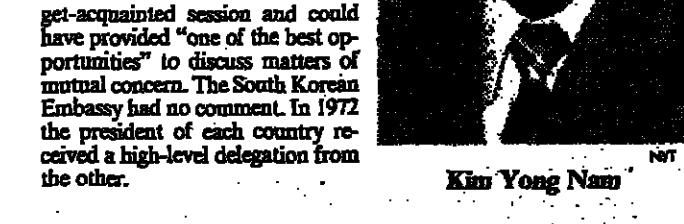
Foreign Minister Hans van den Broek said the cabinet would make a final decision on deployment on Nov. 1 and then would introduce legislation as quickly as possible to confirm the placing of the weapons. The deployment would be part of a North Atlantic Treaty Organization plan to place medium-range missiles in Europe.

North Korea Reports Rebuff by South

NEW YORK (WP) — The North Korean foreign minister, Kim Yong Nam, said Tuesday that South Korea had rebuffed North Korea's proposal for what would have been an inter-Korean meeting at the highest level since 1972.

Mr. Kim, expressing regret and "great surprise," said the meeting would have taken place in New York this week between Vice President Pak Sung Chul of North Korea and Prime Minister Lho Shin Yong of South Korea. Both officials are here for the 40th anniversary observances of the United Nations.

Mr. Kim said a meeting in New York would have been more than a get-acquainted session and could have provided "one of the best opportunities" to discuss matters of mutual concern. The South Korean Embassy had no comment. In 1972 the president of each country received a high-level delegation from the other.



Kim Yong Nam

Journalist Groups Support UNESCO

SOFIA (AP) — A group of international and regional organizations representing nearly half a million journalists throughout the world issued a statement Wednesday supporting UNESCO's communications activities.

The group included the Communist-led International Organization of Journalists based in Prague, the Brussels-based International Federation of Journalists, the Latin American Federation of Journalists, the African Union of Journalists and the Confederation of Southeast Asian journalists. A commission of the General Conference of the United Nations Educational, Scientific and Cultural Organization has begun discussions on a \$14.7-million communications program in the 1986-87 budget. The conference, attended by 152 nations, began Oct. 8 and is to end Nov. 12.

Four of the organizations were unsuccessful in their effort to convene a UNESCO-backed meeting in Mexico City in March on the protection of journalists. Instead the issue was dealt with at a meeting of the International Red Cross in Geneva in April, whose participants included representatives of Western media groups.

U.S. Bill Would Extend Summer Time

WASHINGTON (UPI) — A bill that would lengthen daylight-saving time by four weeks has passed the House of Representatives and now goes to the Senate. Under the bill, daylight-saving time would begin on the first Sunday in April and end on the first Sunday of November.

Daylight-saving time, also called summer time, when clocks are set forward to add an extra hour of daylight in the evening, now begins on the last Sunday in April and ends on the last Sunday in October. Most of Europe starts and stops summer time a month earlier.

The legislation was passed on Tuesday, 240-157. It would allow states to exempt themselves. If enacted, the law would go into effect next year.

For the Record

Afghanistan has ordered all its male nationals up to 40 years of age to enlist for three years of military service, even if they already have completed a tour of duty, Kabul radio announced Wednesday. (AP)

The Indian state of Punjab has banned the use of high-speed motorcycles by civilians after several murders by gunmen on motorbikes, the Press Trust of India reported Wednesday. (AP)

An earthquake measuring 6.7 on the Richter scale rocked the Lesser Sunda islands of Indonesia on Wednesday, but there were no reports of casualties or damage, the Indonesian Meteorology Agency said in Jakarta. The islands include Bali, Alor and Timor. (AP)

The condition of Anthony Mauda, the first recipient of an artificial heart developed by Pennsylvania State University, was upgraded to "critical but stable" on Wednesday. Mr. Mauda had slipped in and out of deep unconsciousness Tuesday. (AP)

Charles Fried, a Harvard law professor, was confirmed by the U.S. Senate on Tuesday as solicitor general. The solicitor general is the government's chief advocate in the Supreme Court. (NYT)

The Philadelphia Inquirer hit the newsstands Wednesday morning for the first time since employees went on strike 47 days ago and the Daily News was due out later in the day. (UPI)

Two bombs exploded in Israel in the municipal market of the Galilee town of Afula on Wednesday, wounding five persons, one seriously, hospital officials said. (UPI)

Xu Shiyou, Ex-Chinese General, Dies

BEIJING — Xu Shiyou, 80, a former military commander in Guangzhou and member of the Communist Party's ruling Politburo, died Tuesday in Nanjing of undisclosed causes, the Xinhua news agency said Wednesday.

In 1935, he led a detachment of the Communist insurgent forces on the grueling Long March from southeast to northwest China and his immense physical strength and bravery quickly made him a legend.

Mr. Xu was an ally of the Chinese leader, Deng Xiaoping, and reportedly was a vocal advocate of Mr. Deng's rehabilitation in the 1970s.

But in 1980, Mr. Xu lost his post as Guangzhou commander in a

move regarded as an effort to put modern-minded men in charge of a military force that had been criticized for old ideas, backward equipment and poor discipline.

Mr. Xu became a member of the party Central Committee and Politburo in 1969 under Mao, but was demoted to deputy chairman of the party central advisory commission in 1982, apparently to allow him to retire.

Other deaths: Henry Horblower, 24, a Boston stockbroker, amateur historian and founder of the Plymouth Plantation living history museum, of a heart attack Sunday in Cambridge, Massachusetts.

Diane Rene Thomas, 39, who wrote the screenplay for the movie "Romancing the Stone," Monday when the sports car in which she was riding skidded out of control and hit a pole south of Malibu Beach, California, the police said Tuesday.

Harold Smith Sr., 75, a gaming pioneer who founded Harold's Club in Reno, Nevada, in 1936, Monday in Reno.

Merle Watson, 36, a country musician who teamed with his father, Doc Watson, in Lenoir, North Carolina, when his tractor overturned Wednesday on an embankment and pinned him beneath it.

Violeta Ursuleac, 92, the Austrian soprano best known for her interpretations of the operas of Richard Strauss, Tuesday in Eberwald, Austria.

U.S. Prepares Hussein Lauds 'Spirit' of Peace Plan

(Continued from Page 1)

the SDI program any time that would appear advantageous."

Mr. Smith was sharply critical of the decision to "float this new treaty version just six weeks before a summit at which the ABM treaty was expected to be an important part."

He suggested an explanation may be that "it was a bargaining ploy looking to a summit accommodation somewhere between the Soviet presumption position of no research at all and the Reagan version of no limits on strategic defense development."

One of Mr. Nitz's observations to the House subcommittee seemed to support that view. When one congressman raised the prospect of an amendment requiring the administration to stick to the restrictive interpretation of the ABM treaty, Mr. Nitz responded that "if Congress limits the executive branch, then it is not necessary for the Soviets to make any trade with the United States on this issue."

■ Geneva Negotiators Meet

U.S. and Soviet negotiators on strategic nuclear forces met in Geneva on Wednesday. The Associated Press reported. No details of their talks were released.

(Continued from Page 1)

tion, which he appeared to blame on the PLO.

The king said he did not know yet all of the facts surrounding the cancellation of the London talks. But based on his review to date, he said, the talks were called off after the PLO refused to sign a declaration that renounced violence and that implicitly recognized Israel's right to exist.

Hussein stressed that Britain was not to blame for canceling the session, that it had acted "above board and within its rights." By contrast, the image of the PLO had unfortunately been "adversely affected," he said.

He said he hoped his review would be completed by next week after he and Yasser Arafat, chairman of the PLO, had an opportunity to discuss the incident and other recent events.

With respect to the Achille Lauro affair, in which members of a PLO splinter group killed an elderly American, Hussein said that the PLO and the Palestinian cause had suffered "a serious setback" because of the episode.

Pressed repeatedly as to whether the PLO's involvement in the hijacking and the collapse of the talks with Britain had made the PLO an unsuitable partner for Jordan in peace efforts, the king offered a qualified response.

"The Palestinian cause has suffered some serious setbacks recently, so we will have to see what must be done," he said. "But if there is to be a solution to the Palestinian problem, as it is called — the Arab-Israeli problem which has its roots in the denial of Palestinian rights — then the Palestinians must be a party to the solution."

"And they have a legitimate representative," he said. "So long as that is a fact, we will have to see what can be done to ensure that we move towards a common objective."

Critics charge that the administration made the agreement with China to score a foreign policy success for Mr. Reagan, despite serious Pentagon, CIA and congressional concern about whether China has aided nuclear programs of nations expressing interest in developing such weapons.

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(Continued from Page 1)

promise intelligence capabilities that have allowed close monitoring of China's nuclear program.

Vice George President Bush, who just returned from a six-day trip to China, defended the nuclear agreement Tuesday. "We wouldn't enter into any agreement that would cause an increase in the proliferation of nuclear weapons," he said.

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Air Force One May Be Replaced

WASHINGTON — Twenty-three years after U.S. presidents began flying in a Boeing 707, the Pentagon is asking Congress for permission to trade in Air Force One for a newer, faster and bigger jet.

Defense Department and U.S. Air Force officials say the decision to press forward with the request was made within the past month. If all goes as planned, a formal solicitation will be issued to aircraft manufacturers before the end of the year and a contract awarded by next June. The first plane could be delivered by late 1988.

The term Air Force One is a radio call sign applied to any airplane that is carrying the president. There are actually two modified 707s maintained by the 89th Military Airlift Wing at Andrews Air Force Base outside Washington, either of which can be used by the president.

According to the official, Mr. Marcos acknowledged that "he had a credibility problem" and volunteered to allow news organizations and U.S. officials at the local elec-

tions scheduled next year and the national elections set for 1987.

An administration official who said he had read cables from American diplomats in Manila about the Laxalt mission said they painted a gloomier picture of the encounter.

The official said Mr. Marcos had listened without a sign of approval as Senator Laxalt laid out the administration's concerns about the spreading insurgency of the Communist New People's Army, the evidence of growing anti-Marcos sentiment and the need for economic, military and political changes.

"He dismissed Laxalt's points one by one," the official said.

But a White House official insisted "The mission was a success in terms of getting Marcos's attention."

■ Provincial Governor Is Slain

Cuzco believed to be Communist rebels shot and killed the governor of southern Surigao del Sur province Wednesday after blocking his jeep on a highway of the provincial capital, the Philippine News Agency reported, according to The Associated Press. Governor Gregorio Munillo, 58, a physician, was the highest-ranking official to die in a guerrilla ambush in the Philippines this year.

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Baker Says Debt Limit Could Cause a Default

By Gerald M. Boyd
New York Times Service

WASHINGTON — The Reagan administration has warned that emergency fiscal steps will have to be taken in November if Congress fails to approve legislation raising the federal debt ceiling.

Treasury Secretary James A. Baker 3d, at a White House meeting with Republican congressional leaders Tuesday, said that failure to act in the next few days would result in complex maneuvers involving the Social Security fund and several other trust funds by the first week in November to raise the cash needed to cover benefit checks.

Mr. Baker warned that the government "would certainly default" on other obligations on Nov. 15 without congressional action to lift the ceiling.

The current federal borrowing limit is \$1,824 billion. Representatives have balked at adopting a Senate-passed ceiling of more than \$2 trillion because attached to it is a controversial measure aimed at requiring a balanced federal budget. The package is now before a House-Senate conference.

Larry Speakes, the White House spokesman, said after the meeting that "by Nov. 15, the only alternative way to raise cash 'would be to sell gold belonging to the United States, which I don't believe any member of Congress wants.'"

The Treasury secretary, however, in a letter to House and Senate conferees on the debt ceiling bill, wrote: "The president and I are not prepared to take that step because it would undercut confidence here and abroad based on the widespread belief that the gold reserve is the foundation of our financial system and because the Congress clearly has the power to prevent a default by assuming its responsibility with respect to the debt limit."

The belief to which Mr. Baker referred is no longer shared by many economists and investors. The United States severed the links between gold and the currency and between gold and the international value of the dollar in the 1960s and early 1970s.

The biggest uncertainties might be how much gold the Treasury would put on the market, presumably in the form of an auction, and how much the additional supplies would drive down the price of gold, which was \$327.25 an ounce in New York Tuesday afternoon.

To get around the debt limit, the government has been operating with \$5 billion raised Oct. 9 in a novel use of the Federal Financing Bank, a bookkeeping affiliate of the Treasury whose obligations are not subject to the \$1,824-billion debt ceiling.

Mr. Baker said in the letter that, even if the government used some remaining \$10 billion in Federal Financing Bank borrowing authority, it would have a "negative balance" on Nov. 1, widening to more than \$5 billion by Nov. 4.

Mr. Speakes said that the government would be "forced" to dip into trust funds in order to cover checks already issued under Social Security, Railroad Retirement and other pension programs by Nov. 4 at the latest.

A Treasury spokesman, Arthur Sidon, explained that cash would be borrowed in the money market, then securities held by each of the trust funds would be retired to keep outstanding debt from exceeding the ceiling.

Mr. Speakes said it was unclear how other government checks would be honored after funds borrowed through the financing bank are exhausted.

The spokesman had raised the possibility Oct. 8 that banks might decline to honor government checks, but Robert J. Dole, the Senate majority leader, said Tuesday that such statements now had a hollow ring because of the emergency cash borrowing.

"I think there's a credibility problem there to some extent, but Secretary Baker assured us that this is it, that he has to follow the law, this is the law, and the president doesn't want to sell off any gold," he said.

In the meeting, Mr. Speakes said, Mr. Reagan repeated his call for the passage of the bill requiring a balanced federal budget. The legislation, which is attached to the bill raising the debt ceiling limit, would mandate a decline in the deficit by \$26 billion a year until it reached zero in 1991.



President Daniel Ortega Saavedra of Nicaragua and his wife, Rosario Murillo, appeared on NBC's Phil Donahue show in New York on Tuesday. Mr. Ortega was in New York to mark the 40th anniversary of the United Nations.

Anti-Bias Rule Survives Debate in U.S. Cabinet

By Howard Kurtz
Washington Post Service

WASHINGTON — A Justice Department effort to weaken a 20-year-old executive order on affirmative action for government contractors has lost some momentum as a cabinet council delivered a split verdict on the plan and gave President Ronald Reagan three options from which to choose.

The cabinet's Domestic Policy Council met Tuesday after the Senate majority leader, Robert J. Dole, and the House minority leader, Robert H. Michel, joined 175 members of Congress, civil rights groups and business spokesmen in opposing changes in the 1965 order. Democratic lawmakers have prepared legislation to block any change.

At issue is the Labor Department's authority to require 15,000 federal contractors, whose companies employ a total of 73 million workers, to meet numerical goals and timetables in hiring and promoting women and members of racial minority groups.

As recently as two weeks ago, it appeared that Attorney General Edwin Meese 3d, who wants to abolish affirmative action goals and timetables, had prevailed over Labor Secretary William E. Brock, who wants to preserve most of the current rules.

But the council, headed by Mr. Meese, voted after a heated discussion to send Mr. Reagan three options. The issue's sensitivity was

underscored by the fact that most of the cabinet attended the session as did the White House chief of staff, Donald T. Regan.

Earlier, after meeting with Mr. Reagan on other issues, Mr. Dole, a Kansas Republican, said: "My view is they shouldn't change the executive order. Leave it as it is."

He said that Mr. Brock could resolve any problems "through regulation, rather than change an executive order that's been around for 20 years."

Mr. Michel, an Illinois Republican, added, "When it works, you don't fix it."

Sources said the first cabinet option, which Mr. Meese advocated, would bar the Labor Department from penalizing companies for failing to meet numerical hiring goals, which Mr. Meese views as constituting illegal quotas.

While allowing businesses to set voluntary goals for hiring, firing and promotions, the Meese proposal would say that there is no "legal basis" for plans that discriminate by race or gender.

The second option, favored by Mr. Brock, would leave the executive order unchanged but would have the Labor Department revise the program's rules to ease the burden on businesses. The department was planning to do this anyway.

A third option would preserve the executive order but add language barring the use of fixed quotas and promising to ease regulations, sources said.

U.S., Nicaragua Mix Rhetoric, Diplomacy

By William R. Long
Los Angeles Times Service

MANAGUA — When the Yankees come, Don Canuto tells Dona Cayetana, the Nicaraguan people must meet them with rifles, machetes, ice picks, knives and axes.

"We'll even throw boiling water on them," says Dona Cayetana, a grandmotherly cartoon character in an official Nicaraguan civil defense booklet. "Right, we'll have to use everything to fight those Yankee sons of..."

It is the rhetoric of war — Nicaraguan patriots vs. Yankee aggressors. And the Nicaraguans believe that the rhetoric is justified because of U.S. support for the rebels who are waging guerrilla war on the left-Sandinist government.

But along with the hostility, there is an incongruous element of civility. While the two governments are at each other's throats, they continue to observe the niceties of full diplomatic ties.

The Yankees, in fact, are already here; they go about their official business in the sprawling U.S. Embassy on a shady avenue at the edge of Managua.

Embassy personnel and their families face no unusual security risks — no kidnappings or car bombs. The only notable activity directed against the embassy is the periodic demonstration outside by pro-Sandinist Americans living in Nicaragua or visiting the country.

About 50 U.S. citizens work in the embassy. After Cuba and the Soviet Union, the U.S. diplomatic mission is largest in Managua.

The Reagan administration and the Sandinists each have their reasons for maintaining diplomatic relations.

Arguments for breaking relations gained strength within the Reagan administration in April, after Congress voted down an administration proposal for new military aid to the guerrillas. Some congressmen said they opposed the aid because it did not make sense to support a war against the Sandinists and keep diplomatic relations.

But the administration softened the aid proposal to provide only for "humanitarian assistance" such as clothing and medicine. In June, Congress approved \$27 million in nonmilitary aid, and the threat to diplomatic relations evaporated.

Because the administration hopes to renew the aid in early 1986, it continues to tailor the trap for wavering congressmen. To those who fear criticism for supporting a militaristic policy, the continuing diplomatic ties can be offered as proof that the policy is more than just support for the rebels.

Diplomatic relations also are useful for fending off demands that the United States resume a series of U.S.-Nicaraguan talks that were held last year in the Mexican resort city of Manzanillo. As long as regular diplomatic channels are open, the administration contends, the Manzanillo talks are not necessary.

There also are advantages for Nicaragua in maintaining ties. The government says that U.S. public opinion and congressional pressure can influence the Reagan administration against direct military intervention. And diplomatic relations with the United States give Nicaragua important channels of communication with the public and Congress, said Alejandro Bendana, a high official in the Nicaraguan Foreign Ministry.

"It is in our interest," he said, "to maintain all possible avenues for carrying on a direct dialogue with all sectors that will listen to us in the United States. We believe firmly that reason will prevail in the United States and we must work patiently until it is recognized that Nicaragua is not a threat."

The Nicaraguan government has helped organize a steady stream of U.S. visitors who come to "see for themselves" whether the Sandinists are dangerous communists, as Washington contends.

Without diplomatic ties, such Nicaraguan efforts would be more difficult. Mr. Bendana said that the Reagan administration wanted to "curtail that type of communication" but not to sacrifice its Managua embassy.

"They don't want to close the embassy here because they would lose a whole system of espionage," he said. "They know when every toilet flushes in Managua."

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U.S. Social Security To Rise 3.1% in 1986

United Press International

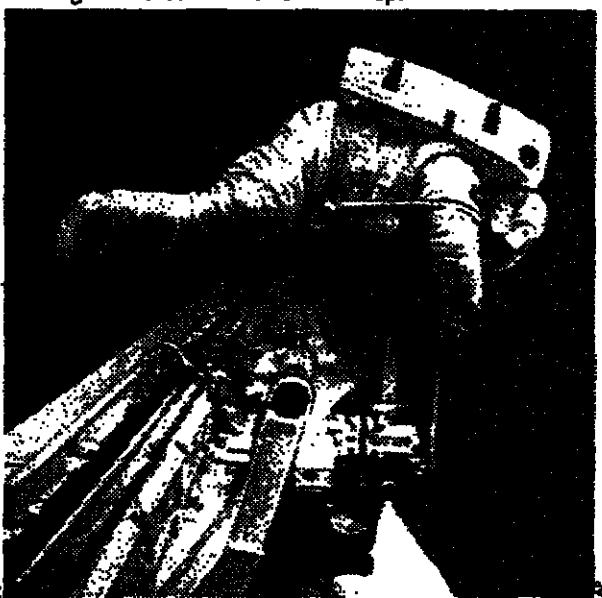
WASHINGTON — Social Security recipients will get an increase in benefits of 3.1 percent on Jan. 1.

September's increase of two-tenths of 1 percent in the Consumer Price Index, announced Wednesday, was the last figure necessary for the Social Security Administration to compute its 1986 cost-of-living increase. The average benefit will rise from \$464 a month to \$478.

Columbia liftoff at Kennedy Space Center.



Challenger Astronaut Donald Peterson in Space.



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Denmark	D.G.	1,390	1,040	570
Finland	F.M.	1,410	760	414
France	F.F.	1,200	644	352
Germany	D.M.	482	261	145
Greece	E	101	55	30
Italy	L.	15,600	8,464	4,672
Netherlands	F.	350	258	145
Norway	N.K.	1,115	61	34
Sweden	S.K.	276,000	149,040	82,800
Switzerland	S.F.	9,120	4,870	2,685
United Kingdom	£	1,420	765	423
United States	\$	13,800	7,450	4,090
Spain	Pes.	21,200	11,500	6,300
Sweden	S.K.	1,400	795	434
Switzerland	S.F.	490	260	139
Rest of Europe, North Africa, former French Africa, USA, French Polynesia, Middle East	\$	321	174	95
Rest of Africa, Canada, Latin America, Gulf States	\$	442	238	130

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Herald Tribune

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Immunize the Children

It is often said about the United Nations that, however vexing its political forums, the specialized agencies do vital work. That is often true, and some of the work comes into deserved focus today. As part of the world organization's 40th anniversary, the secretary-general has arranged to have the General Assembly give a ceremonial boost to the campaign to get every member state to immunize all its children against diphtheria, tuberculosis, poliomyelitis, whooping cough, measles and tetanus by 1990. The six diseases are estimated to take millions of lives a year. They hover over families in the Third World like a dark cloud.

The startling thing about the immunization campaign, launched in 1974, is how quickly it has become feasible to end a scourge that has marked the whole of man's recorded history. Just in the last few years the requisite medical, information and organizational resources have become widely enough available to make possible the provision of life-saving services to people and to sectors of society who never previously thought to expect them.

Much needs to be done both to spread an awareness among parents that their children can be saved and to assemble the vaccines,

trained personnel and local networks of primary health care. Much is being done, however, by the World Health Organization, the United Nations Children's Fund and such regional bodies as the Pan American Health Organization; by public authorities drawn by the political benefits as well as the social benefits of caring for their people (El Salvador broke off its war for three days earlier this year to let the children be immunized); by the providers of the funds. Up front is the immunization of children. Behind is the strategy of using that popular cause as the peg on which to organize comprehensive and continuing health care for people who have not had it.

Inevitably the poorer and more debt-ridden countries face special difficulties in applying scarce energies and foreign exchange to a program whose principal benefits flow to people with little political power. The IMF, the World Bank and other funding sources must do their part to ensure that crucial financial adjustments are not made at the expense of the poor. Horn-toting sessions like the one planned today at the United Nations can help toughen up the politicians who are on the front line.

—THE WASHINGTON POST.

A Better Deal for Aliens

When it comes to aliens, Americans are making a mess of both law and decency.

Mass number one concerns the Big Wink, which for years has been about the only federal policy. Yes, it is nominally illegal for undocumented aliens to enter America. But as long as employers have wanted their labor, no one has worked overtime enforcing the law.

Now Washington is starting to crack down on lawyers and others who facilitate fraudulent entry of illegals. That is a welcome sign of revitalization in the Immigration and Naturalization Service. So is the increase in alien apprehensions, up 35 percent in two years. Yet these remain marginal initiatives as long as the job magnets pull in the alien tide.

Mass number two is illustrated by Mayor Edward Koch's sensible, decent memo instructing New York City employees not to turn in illegal aliens unless they are somehow involved in crime. On the surface that sounds like advocating lawlessness. But the instruction is sensible and decent because it assails the lawlessness of the Big Wink.

America has implicitly welcomed millions of illegal aliens. But once on the scene, they so fear discovery and deportation that many shrink from calling the police even after a rape, or from going to the hospital even when mortally ill. Social justice for these people urges that they get basic services. Sound government for the rest of society dictates that crime and

disease be contained. Economic fairness argues that Washington pay its share for the consequences of its permissive policy.

The two aims seem contradictory: Enforce vs. don't enforce. The contradiction can be bridged by the following propositions:

● Illegal aliens should not be encouraged to sneak into the United States.

● If they do get in, it is in the common good for them to have minimal services, like police, with the costs fairly apportioned.

● If, having been nominally encouraged to beat the system, they do so for a long time, even a strict society should let them stay, under some statute of limitations. This is not Panchaea, in which players can be captured and sent home even at the last minute. These are real, anguished lives, and under present law the only aliens who can stay are those who arrived before June 30, 1948.

All three purposes can be achieved by the Simpson-Rodino-Mazzoli reform bill pending in Congress. It would forbid employers to hire illegals, thus tidying up the law enforcement mess. It would legalize aliens who have been in America for several years, alleviating the decency mess. It has already passed the Senate; the House Judiciary Committee has just finished hearings. Reasonable people can now turn to the full House and ask whether, instead of winking, it will stare the problem down.

—THE NEW YORK TIMES.

Other Opinion

Legal or Not, It Was Unwise

The execution of a black poet in defiance of pleas for clemency from around the world may have been a duly processed legal action in the name of law and order. But it was an unwise decision. Apartheid defies the universal principle of equality of citizens that is a pillar of the free world to which South Africa has political affiliation historically. Any claim to a legal action ceases to be just when a government can no longer justify the step from the standpoint of morality and humanitarianism.

—The Japan Times (Tokyo).

Not the Way to Treat an Ally

There can be nothing but satisfaction at the arrest and detention in Italy of the four Palestinian hijackers of the Italian cruise liner Achille Lauro. The United States is right [to force down the hijackers' aircraft] even at substantial diplomatic risk. The war against international terrorism involves the acceptance of painful consequences. Even so, the fallout from the Achille Lauro affair has been far more serious than necessary. For this one can only blame a remarkable degree of American insensitivity and high-handedness.

Repeatedly the Americans violated Italian airspace and territorial rights, and even approached a military confrontation with Italian troops in their efforts to snatch the Palestinians from Italian custody and whisk them off to the United States. And these provocative tactics, accompanied by equally provocative words, failed even to achieve the objective of capturing the Palestinian mediator-cum-terrorist leader [Mohammed] Abbas.

The problem presented by Mr. Abbas was one of extraordinary difficulty for Italy, a fact

which the Americans evidently declined to appreciate. The Achille Lauro affair began as an encouraging example of international cooperation against terrorism. It ended with a display of what must appear as imperial arrogance on a scale which no sovereign country, least of all a NATO ally, could be expected to tolerate. Mr. Reagan sent a government envoy on a peace mission to Italy, but it will take more than that to repair the damage.

Mr. Reagan was right to object so strongly to the Italians' abominable handling of [Mohammed] Abbas. A nation so ready and able to combat terrorists at home has all too unwillingly to thwart a terrorist chief from abroad.

—The Richmond (Virginia) Times-Dispatch.

Testing the Troops for AIDS

All 2.1 million members of the U.S. military forces are to be screened for the AIDS virus—a move that has profound significance for the government's posture on this vast new health menace. Serious questions surround what use will be made of the test; and whether the military will set an example that other government and, possibly, civilian employers will follow. Military personnel with AIDS will be honorably discharged. Those harboring the virus, but not yet sickened by it, are not to be assigned outside the United States, partly to avoid the risk of spreading the disease to sex partners in other countries. Across the country, many segments of society are watching to see not only how extensive infection with the AIDS virus is in the biggest group ever tested, but also what the United States will do to protect those found to be infected.

—The Boston Globe.

FROM OUR OCT. 24 PAGES, 75 AND 50 YEARS AGO

1910: Monarchs Hailed in Valencia
MADRID — Reports from Valencia describing the reception of the King and Queen are enthusiastic. They have received ovations from all classes and their way has been strewn with flowers. Valencia is considered a Republican stronghold, and apprehensions were entertained about the visit, but the result only gives evidence of Don Alfonso's popularity. The monarchs went to the cathedral to attend a Te Deum and examined the image of the Virgin of Desamparados, of which the jewels are among the richest in the churches of Spain. Dona Victoria, taking from her breast a very rich jewel, handed it to the authorities in charge for the image. This caused ovations from the women. After their return to the palace, the King and Queen were repeatedly called to the balcony by the cheers of the people.

1935: Americans Prefer Neutrality
PARIS — The contrast between public sentiment in Europe, which is tense with war fears, and feeling in the United States, where people are occupied with domestic problems, was emphasized by Kenneth C. Hogate, president of "The Wall Street Journal" [on Oct. 23]: "My strongest impression in Europe is the tenseness and anxiety caused by the Italo-Ethiopian conflict, which are entirely lacking in the United States. There is no war fear in America — that is, no fear of America's becoming entangled in any war. The United States has gone back to its isolationist position, and everybody is convinced and thankful that we are well out of the European imbroglio. Whatever Americans may think of the present administration in other respects, its neutrality policy is thoroughly endorsed by public opinion."



The United States Needs Open Debate on Détente

By Stephen F. Cohen

PRINCETON, New Jersey — The greatest failure of American democracy today is the absence of a real national debate on U.S. policy toward the Soviet Union.

No international or domestic issue is more important, and nothing in the foreseeable future — including the Reagan-Gorbachev summit meeting — will change that fact. In the nuclear age, the U.S.-Soviet relationship is an ever present question of global survival. And as government defense-related spending soars beyond \$400 billion a year, it is, increasingly and inescapably, a question of how to sustain the quality of American life, from education and social security to urban housing and agriculture.

Despite these ramifications, President Reagan's cold war policy has gone essentially unchallenged in the political mainstream for almost five years. Critics have lamented the administration's extreme rhetoric, objected to some of its weapons programs and doubted its commitment to arms control. But not one influential group or institution has seriously opposed Mr. Reagan's militarized approach to the Soviets, either by rejecting his underlying political premises or by offering the only alternative: a broad policy of détente.

As a result, in contrast to wide-ranging controversies over other issues, mainstream discussion of U.S.-Soviet relations is narrow and superficial. It fixates on trivial or secondary matters such as pre-summit "public relations" and the efficacy of yet another weapons systems, while avoiding basic questions about the long-term goal of American policy. Is it to live peacefully with the Soviet Union as a coequal superpower, to roll back Soviet power in the world, to destroy the Soviet system?

No coherent policy is possible without answers to these and other questions about what kind of relationship America wants. The questions are not even being discussed.

The entire American political spectrum bears responsibility for this failure of the democratic process. The right is mindlessly committed to cold war, including military buildup, as an eternal virtue in itself. The left is instinctively against the arms race but has no ideas for achieving the broader political goals needed to end it. And the vaunted "bipartisan center" wishes only to stand safely somewhere between these two extremes.

More specifically, there is the baneful role of the national media, the Democratic Party and the legion of professional foreign policy intellectuals. Each has some capacity, as well as duty, to broaden and deepen public discourse about U.S.-Soviet relations. None has done so.

Ten years ago, for example, newspaper editorial pages and network

television programs regularly featured proponents and opponents of détente. Now, overwhelmingly, they present only representatives of the cold war right and the center — say, an administration supporter and a self-described "defense democrat." And the recent television practice of casting a Soviet official as the primary anti-Reagan spokesman suggests that there is no legitimate American position anywhere between them.

The media's culpability may be mostly passive, but nothing so kind can be said about the Democratic Party. Even though Mr. Reagan's military expenditures have savaged the party's social programs, it offered no alternative to his Soviet policy in 1984 and seems determined not to do so in future elections. One party spokesman and adviser after another has rejected an electoral platform based on détente, which is necessary to free funds for social progress. Instead they clamor for a more anti-Soviet, pro-defense program.

Nor can anything positive be said, in this respect, about foreign policy intellectuals with access to the media and to the Democratic Party. If such people have a useful function, it is to think unconventionally and to speak more candidly than politicians. A great many policy intellectuals are sincere cold warriors, but many others certainly believe in the necessity and possibility of détente, as they said openly in the 1970s. Why do so few of them speak out now?

The main reason is well known but rarely publicized. Like too many congressional Democrats who will not state publicly what they express privately, commentators are intimidated by the renewed cold war climate of political intolerance, especially on Soviet affairs. Debate is again being stifled by censorious crusaders parading under euphemistic banners like the Committee for the Free World and Accuracy in Media.

Once again a galaxy of cold war publications recklessly brand anyone who dissents as being pro-Soviet, soft on Communism, a fellow traveler or an appeaser. Such intolerance has even crept into some once civil-

ling newspapers and magazines. The New Republic has said of a leading American expert on the Soviet Union, "With such Sovietologists, who needs the Soviets?"

Given the overriding importance of U.S.-Soviet relations, it is impossible to sympathize with secret believers in détente who fall silent or muffle their criticism of American policy. Compared to the cost of political courage in other societies, the American price is cheap. Pro-détente senators who refuse to lead should step down. Government officials who dissent from cold war policy only under a pseudonym ought to resign.

Cold warriors will exclaim, as they always do, "Everything is worse in the Soviet Union!" — as if that should be America's standard. But no one can take pride in the fact that America's largest political problem is not being debated. Democratic discourse requires candor and courage.

The writer is professor of politics at Princeton University and a frequent commentator on Soviet affairs. He contributed this comment to the International Herald Tribune.

Is Gorbachev Capable of the Gesture?

By Elie Wiesel

NEW YORK — When Ronald Reagan meets Mikhail Gorbachev in Geneva, I hope he will speak to him, among other things, of an innocent man who is now in danger of being sentenced to hard labor in the Soviet Union. His name is Leonid Volvovsky.

He is a 45-year-old mathematician, and his trial opened last Friday in Gorki. His "crime" is active involvement with the large "refusenik" community there. His friends worry that the prosecution will use his case as a warning, handing down a severe sentence.

Leonid is married to Ludmila; they have a 17-year-old daughter, Kira. Their troubles began in 1976 when they applied for an exit visa to Israel. In the eyes of officialdom, Leonid became an outcast.

That remains the lot of all refuseniks. Overnight they are cut off, isolated, marked for harassment, abandoned by colleagues and humiliated by institutions. Still, they lean on each other and help each other to safeguard their sanity and morale.

I have met many refuseniks in the Soviet Union. I admire them. They are, to paraphrase Jean-Paul Sartre's expression, among the freest people in the land. I admire their courage, their exuberant spirit, their unshakable faith. When I asked them what they send them from home, they answered: "Books, send us books." These books were needed for students and teachers — for the unofficial educational network that now exists throughout the Soviet Union.

Leonid Volvovsky is one of that network's leading members. He learned Hebrew and English, and established seminars for Hebrew, Jewish history, Jewish literature and philosophy and ethics. In 1976 he was vice chairman of a committee that tried to convene a seminar on Jewish culture. That resulted in the first of

his several arrests, followed by relentless harassment. Searches were conducted in his home, materials were confiscated, threats were made. But he persevered, and hundreds of refuseniks owe him their Jewish education. In 1979 his seminar attracted 700 students.

The KGB reacted. Mr. Volvovsky "lost" his materials, his Hebrew books. His modest apartment was taken. The scholar had to accept other jobs: elevator operator, photography salesman, garbage collector.

He was arrested on June 26 and charged under article 190-1 of the criminal code of the Russian Soviet Socialist Republic. In other words, he is accused of slandering the Soviet Union.

Nonsense. Leonid Volvovsky and his refusenik friends have nothing to do with politics. All they want is to join their families in Israel so that they can lead a Jewish life in accordance with Jewish law. When they meet, they discuss the Prophets, the Talmudic legends and classical Jewish authors, not politics.

I have known the refuseniks, and I know they are more concerned with Jewish memory than with Soviet politics. This is what makes the Volvovsky trial such an injustice. A conviction would be a scandal.

Let us hope President Reagan will find it important to raise this case, along with hundreds of others, when he meets Mr. Gorbachev. The refuseniks, like the dissidents, place their hope in us. There are so many — Ida Nudel, Vladimir Slapov, Anatoli Shchegarnik, Dan Shapiro, Joseph Begun, Vladimir and Anna Libshits, Yuri Edelstein. The list could go on and on. Is Mr. Gorbachev capable of a gesture? Will he make it?

The writer, professor of the humanities at Boston University, contributed this comment to The New York Times.

Japanese Are Flying a Foreign Course to Star Wars

By Hiroko Yamane

PARIS — As a leading technological power, Japan has proved vulnerable on the issue of the Strategic Defense Initiative. Despite its hesitations after the U.S. request for Japanese participation in the SDI, Tokyo has little choice but to go along with U.S. global military strategy.

Under current security arrangements, Japan's defense relies fundamentally on the U.S. nuclear umbrella and U.S. military technology. The United States pays virtually all of Japan's defense bill, since Japanese military spending is limited to roughly 1 percent of GNP. In addition to this military dependence, more than one-fourth of Japanese exports go to the United States market.

Japanese are satisfied with this security arrangement; they regard it as inseparable from their economic prosperity. According to a recent government poll, 54.1 percent of the population supports the present level of defense spending, only 14.2 percent advocates an increase, while 17.7 percent wants a reduction. Japanese see their country as a peace-loving commercial nation that finds its strength in its technological power.

So the more the U.S. Congress and administration criticize Japan's reluctance to change its basic commercial relationship with America, the more the Japanese government is obliged to find ways of participating in the U.S.-led defense strategy.

Tokyo was implicitly committed to the SDI through a November 1983 agreement concerning the transfer of military-related technologies. The agreement provides that Tokyo will authorize the transfer to America of technologies specified by a Joint Military Technology Commission.

Not only does the agreement legal-

ize exclusion of the United States from the general prohibition against Japanese arms exports, it also assures a flow of technology for military purposes that is not necessarily known.

All this poses serious questions for future Japanese national interests. The transfer agreement speaks of "military-related" technologies, but there is reason to believe that the target is technology that falls in gray areas between civilian and military categories. Such technologies would be difficult to obtain through ordinary contracts with private firms.

The first case of application of the agreement involved technology developed by Toshiba, under the auspices of the Defense Agency, for image identification of surface-to-air missile guidance systems.

Advanced Japanese civilian technology in laser beams, microwave systems, optic fibers, ceramics and high-speed computers looks well suited to SDI research, although the exact terms of research cooperation have not been clearly drawn. Japan could expect further technological progress through SDI participation.

But the psychological conditions in which Japan was asked to enter into U.S.-sponsored technological cooperation for space-based defense are different from those in Western Europe. Under its peace constitution, Japan was excluded from the competition in nuclear armaments and research.

And the direct experience of atomic bombs created a "nuclear allergy" and "pacifist tradition" that have prevented a military buildup. As a result, unlike the European powers, the Japanese industrial structure relied almost solely on the production and export of civilian goods.

So the SDI, supposedly a defensive

system, could be seen as a convenient way to outgrow this state of strategic inferiority without changing the constitution or harming economic prosperity and technological progress.

Thus, Prime Minister Yasuhiro Nakasone, who was one of the first leaders of the Western bloc to express sympathy for the SDI, describes it as a trump card that Japan could play both in international politics and in technological advancement.

The private firms that produce high-tech materials do not seem enthusiastic. Japan's industrial structure, built for colossal mass consumption, rarely favors dependence on government orders. With public opinion and administrative rules being against arms exports, Japanese industries have learned to expand without relying on the arms market.

Supplying materials to a U.S. defense industry can lead to trouble. Kyoto Ceramic, which provided technology for the Tomahawk missile, had its U.S. subsidiary absorbed by American owners due to a U.S. regulation on security-related industries. Hitachi had to declare that, in providing products to the Lawrence Livermore Research Institute and the University of California at Santa Barbara, it did not know the ultimate purpose and place of their utilization in Los Alamos. And Hoya Glass made a similar declaration concerning a product that was found to have been used in the Nova laser-producing apparatus at Los Alamos.

If Japan relies only on its technological strength in the hope of improving its image of a faithful ally of an increasingly dissatisfied protector, without changing its political status, it will increasingly find that political

and strategic decisions concerning its security are made in America.

But is the Japanese government ready to question the nature of U.S.-Japanese security ties? Apparently, the time is not yet ripe for a qualitative change in Japanese defense policy. The recent opinion poll found that 69.2 percent of the population supports the current security treaty. That is the highest figure since the treaty was signed in 1960 against a violent wave of opposition.

The writer is a security analyst and contributor to defense journals. She contributed this comment to the International Herald Tribune.

LETTERS TO THE EDITOR

Italy Could Teach Others

Official American criticism of Italy's role in the Achille Lauro affair is illogical, if we recall the long and painful negotiation — approved by two U.S. presidents — for the freeing of the American hostages held in Iran. And, after their release, would it have been conceivable for Washington to arrest the chief negotiator? As Secretary of State Dean Rusk once said, "Let's not be children."

A. ROSSI, Copenhagen.

Regarding the opinion column "Myth of PLO Moderation Is Exploded" (Oct. 18) by Charles Krauthammer:

Mr. Krauthammer's idle and contorted rhetoric regarding Italy's handling of the Achille Lauro hijacking deserves a few reminders. Italy has made fateful mistakes in the past for which it has paid dearly. It has

Reagan Has Diplomatic Leverage

By Joseph Kraft

NEW YORK — Although he has recently made practically every foreign policy mistake ever invented, President Reagan comes to the United Nations commanding extraordinary diplomatic leverage.

Wounded friends rush to help America. Adversaries, goaded beyond measure, still seek to compose differences. Observers, particularly those of us who have ceaselessly bitten nails in the past, can only wonder how long the dazzling act can last.

The dustup with Italy over the Achille Lauro affair brought U.S. troops close to armed conflict with Italian forces at a NATO base. That kind of encounter could easily cost America the use of bases.

But Prime Minister Bettino Craxi is moving heaven and earth to sweep the whole affair under the rug. He wants nothing more than to get together with Mr. Reagan for a dinner meeting of allied leaders here today — at which he will lead the applause for the Strategic Defense Initiative.

France suffered a loss of amour propre when summoned, along with the other industrial countries, to the summit meeting in New York. President François Mitterrand refused, citing the well-known French objection to any extension of the industrial summit to political matters.

Yet Mr. Mitterrand is seeking a private session with Mr. Reagan. He offered a meeting in Marignac, or even Washington, at the end of a Latin American visit last week, but Washington turned a deaf ear. Paris refuses to be rebuffed. The French still hope for a last-minute get-together in Europe before Mr. Reagan meets Mr. Gorbachev in Geneva.

President Hosni Mubarak of Egypt threw a fit about the diversion to Italy of the Egyptian plane carrying four terrorists and a few higher officials from the Palestine Liberation Organization. "Piracy," he screamed, and demanded an apology. But the piracy charge has vanished, and by way of apology Mr. Mubarak only wants Washington to do what it had been doing all along — nurse a "peace process" that might bring together Israeli and Palestinian delegations from Jordan and the PLO.

Israel claimed to be badly put off by American flirtation with the joint PLO-Jordanian delegation, and even more angered by a promise of U.S. arms sales to Jordan. Prime Minister Shimon Peres has used his visit to the United States to denounce the PLO as an unacceptable partner for negotiation. But he wants to proceed with Jordan. By indicating willingness to deal Russia into a Middle East role, he opens the way to an outflanking of the PLO. He raises the possibility of a general negotiation that would include, by way of Russia, the Syrians.

So the rude shakes of the past weeks leave the "peace process" far from dead. In fact it is robust enough for Mr. Peres to think, at least, of going to general elections in Israel and running against the more hawk-like Likud bloc as the man for peace.

America's adversaries see no less obliging than the wounded friends. The Russians have been called liars, cheats and murderers by President Reagan. Still they hang in there, plainly hoping for an armistice. They have presented a proposal for deep cuts in offensive weapons. They have broadcast it on three different occasions. Despite numerous U.S. reservations about the proposal, Mr. Gorbachev is not taking "no" for an answer.

Nicaragua, more than Russia even, has experienced the rough side of U.S. policy. A U.S.-supported guerrilla movement is sapping the Sandinist government. The United States has applied economic sanctions and acted as if the survival of the Sandinists threatened security from the Panama Canal to the Great Lakes.

President Daniel Ortega lashed a stinging counterattack against "state terrorism" in his speech here the other day. But when it came to remedies, he wanted Washington to normalize relations with Managua. He talked up the need for dialogue and said he would be delighted to get together with President Reagan.

One lesson that emerges from this record is that the rest of the world genuinely needs the United States. Interdependence makes America indispensable to everybody. The country can make what most traditional diplomats regard as egregious errors.

But it remains hard to believe that this can work forever. America has an interest in reaching agreements on many thorny issues. To get accords, it makes sense to pay out a little bit of the diplomatic capital that has been built up over the past four years. For there applies to diplomatic capital a rule that applies to other kinds of capital: You can't take it with you.

Los Angeles Times Syndicate.

After the revelations of confrontation at Sigonella, how must Italians feel toward American callousness?

A. TORRENTS DELS PRATS, Geneva.

Not Hong Kong by Government

In "Hong Kong Bankers Accept Two Key Changes" (Oct. 19) you say that the government sentenced a local businessman to three years in jail. The government did not. The courts did, after due process of law.

JAMES FAIRBAIN, Hong Kong.

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Saint Laurent Has Aged: New Designs Play It Safe

By Hebe Dorsey
International Herald Tribune
PARIS — Yves Saint Laurent has aged. So have his customers. This was the first impression of the collection that he showed on Wednesday.

There was nothing wrong with the clothes, as his partner and friend, Pierre Bergé, kept saying after the show. "They're clothes," he said, "not gimmicks. Yves refuses to do gimmicks. It's not his style."

The truth is that Saint Laurent has been known to revolutionize fashion—and more than once. But

draped jersey tops over flowing pants. There were lots of pants, always with high heels.

Hemlines hovered around the knees, but there was a new and younger, flared skirt that dropped to just about midcalf. The floor-length skirts, which looked as though they were made of curtain fabrics, were positively sweet. The big straw hats and short white gloves gave the collection a ladylike look.

The newest-looking jacket was the cropped bolero, with very full and round lapels, like the petals of a daisy, faced with white. Saint Laurent revamped his spencer jacket by belting it and shaping it more sharply. The quilted spencer also popped up several times, with a duo of chrysanthemum prints in mellow blues and raspberry.

The navy pea jacket appeared as another updated Saint Laurent classic, along with leather mules. Under the suits, Saint Laurent put T-shirts, print blouses or draped jersey tops.

Red provided a sharp accent, if not the whole story. Black, which Saint Laurent loves, was used only as a counterpoint and often mixed with prints. There were only two totally black outfits—including a black pantsuit with flowing black coat. The model did not wear any jewelry, just sunglasses and a black turban.

Colors, once again, were a strong point in this collection. Saint Laurent is unique when it comes to mixing maize and blue, soft rose with hot pink, or almond with bottle green. Here and there, he also introduced a strong dash of yellow.

People puzzled by the success of Jacqueline de Ribes, a socialite who recently turned designer, only had to look around the salon of the Grand Hôtel, where she showed her collection. The answer was there, in a bery of some of the richest women in the world, all of them friends of Ribes. They like Ribes and her clothes, even if many of her designs look like line-for-line copies of Saint Laurent, especially a black and white chignon gown that was shown only three months ago.

But a friend of Ribes's, who declined to be identified, said: "Yes, but Jacqueline's clothes are more feminine." Ribes, forever young, has been on the best-dressed list since the crib. She has an exquisite sense of color and an unerring eye when it comes to softening the edges. Her choice of fabrics was impeccable and the last dress, of pink organza, brought down the house.

Ribes also is the only designer to make simple and pure crepe gowns



Design in black and gold by Yves Saint Laurent.

without a speck of embroidery. This appeals to her clients, who own tons of jewelry and feel they finally can wear them.

Women such as Baroness Carmen Thyssen-Bornemisza, at least three Rothschilds, and the wife of the former French prime minister, Eve Barre, loved every minute of the show. So did many American retailers, including executives of Saks Fifth Avenue. They have been taking Ribes's designs on trunk shows that seem to do very well, especially in the moneyed citadel of Palm Beach.

As for Hanae Mori, she is busy creating the costumes for La Scala's next production of "Madame Butterfly," which will be conducted by Lorin Maazel. This should suit her to a T, since the butterfly is the good-luck charm of the Japanese designer.

The first three dresses of her col-

lection were cut from brightly colored cottons printed with butterflies, and butterfly pins held the draping of a pretty black dress.

There is never anything aggressive about Mori, who keeps delivering gently elegant, well-made clothes that have found a niche in Paris. Her slim clothes gently grazed the figure, and her ladylike hems stopped right at the knee. The broad-shouldered, belted suits had a well-groomed look, especially the pale beige gabardine.

Besides a tricolor theme, Mori showed a lot of black, including a classic pantsuit made of a unusual Japanese wrinkled silk that has been used in the more avant-garde Japanese collections.

Footnote: The house of Chanel and Karl Lagerfeld have dispelled rumors of a split by announcing that their relationship will continue.

Djerejian: A Nonpolitical Diplomat

Foreign Policy Spokesman Brings New Style to White House

By Bernard Weinraub
New York Times Service
WASHINGTON — Edward P. Djerejian, the first career Foreign Service officer in years to serve as a White House spokesman, has emerged as one of the more unusual figures at 1600 Pennsylvania Avenue.

He is a nonpolitical diplomat amid Republican appointees, a fairly candid spokesman in a White House whose officials often are stonily unresponsive.

Mr. Djerejian, 46, was hired by the White House spokesman, Larry Speakes, over the summer to replace Robert B. Sims, the former chief expert of foreign policy in the White House press office who moved to the Pentagon as chief spokesman.

Since then Mr. Speakes and Mr. Djerejian have more or less assumed control over the Reagan administration's foreign policy pronouncements. It was Mr. Speakes, for example, rather than the State Department, who issued the White House response to the hijacking Oct. 7 of an Italian cruise liner, the Achille Lauro, in which an American was killed.

But Mr. Speakes denies that he has deliberately sought to supersede the State Department and its spokesman, Bernard Kalb.

Noting that the first White House briefing of the day, at 9:15 A.M., comes before the State Department briefing at noon, Mr. Speakes said: "If we try to defer things to the State Department, it just wouldn't wash. An example is the Israeli raid into Tunis. You can't duck those questions."

Mr. Djerejian, who was No. 2 to Mr. Kalb at the State Department, had previously served as a political officer in the Middle East, France and the Soviet Union.

So far, the chief complaint about him from White House correspondents is that he still is learning the job and thus lacks the authority of Mr. Sims.

Mr. Djerejian arrives at the White House by 6:30 A.M. to confer with officials on the National Security Council and the State Department before preparing the morning "guidance" for Mr. Speakes.

Throughout the day, he fields scores of telephone inquiries before leaving the White House, often after the evening news broadcasts. On most evenings at home he gets still more telephone inquiries.

Mr. Djerejian concedes that there are plenty of professional risks in accepting a highly public, often politically sensitive job. "I think basically some of my friends think I'm suicidal," he said. "In this job, there's tremendously

high potential for public error. You have to maintain both substantive credibility and personal integrity with the press corps and with colleagues."

Mr. Djerejian grew up in the New York City borough of Queens, the son of Armenian political refugees who worked in the restaurant business. A talent for languages—he now speaks French, Russian, Armenian and Arabic—and a yearning to travel led him to enter the Foreign Service in 1963, after receiving a degree from Georgetown University and serving in the U.S. Army in Korea. He lives in suburban Maryland with his wife and two children.

At the White House, he said, the constant jousting between spokesmen and the press surprised him.

"I don't sense hostility on the part of the press, but excessive cynicism and, at times, distrust," he said. "There has been this rooting of distrust that I trace to Vietnam. It causes what seems to be hostility, but it's really undue cynicism."

Mr. Djerejian also said he was unaccustomed to the White House's rapid decision-making process, as compared to the more formal clearances required at the State Department.

"You have to get used to making final decisions without clearing

French to Vote on March 16

Agence France-Press
PARIS — The French general elections will be held on Sunday, March 16, 1986, it was announced Wednesday. The elections are to be held under the proportional representation system for the first time.

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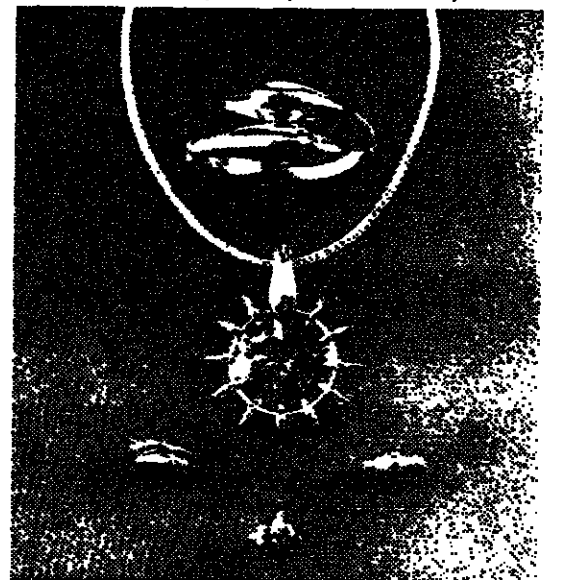


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U.S. Indicates It Would Be Less Hurt Than South Africa by Chrome Cutoff

WASHINGTON — U.S. officials appear unimpressed by the prospect of Pretoria stopping exports of chromium to the West in retaliation for the economic sanctions that have been imposed against South Africa.

President Pieter W. Botha, in a speech at a political rally Monday, raised the possibility of a cutoff of chrome. He said of the Western countries that have imposed limited economic sanctions, "By digging a hole for South Africa, they could end up harming themselves."

Mr. Botha said his country could put a million Americans out of work by stopping chromium exports.

Although the State Department has had no formal comment on Mr. Botha's remarks, U.S. officials suggested that South Africa's vulnerable economic position could make the threat difficult to carry out.

There was no reported reaction from Europe.

Chromium is one of the metallic ores known as the Big Four. The others are cobalt, manganese and the platinum group of metals, all of which South Africa supplies.

A recent book, "The World of Strategic Metals," quotes a steel company executive as saying: "Without these you couldn't build a jet engine or an automobile, run a train, build an oil refinery or a power plant. You couldn't process food, under present laws, or run a sanitary restaurant or a hospital operating room. You couldn't build a computer, clean up the air and water."

None of the four metals is produced in the United States, but South Africa is not the sole source of any of them.

Although U.S. officials acknowledged that a cutoff would create some economic disruption, they discounted Mr. Botha's threat for several reasons:

- The United States has strategic reserves of all of the imported metals sufficient to cover at least a short disruption of supplies. Reagan administration officials have told Congress that some stockpiles are excessive and should be reduced to save money.

- Not only are alternate sources for the metals being discovered, such as the African states of Gabon for manganese or Zimbabwe for chrome, but substitute processes are being developed, such as recycling old automobiles for the platinum in their exhaust systems.

Mr. Botha's speech, in the view of U.S. officials, appeared aimed at impressing a local political audience, not at sending a danger signal around the world.

- Not only are the Western countries less vulnerable than they used to be, but South Africa, because of the drop in the price of gold and the economic problems growing from the political disruptions, has become more vulnerable economically.

Other Assessments Differ

A U.S. congressman knowledgeable on the subject said Tuesday that a chromium embargo would have serious economic consequences.

quences for the United States, but a study released earlier this year by the Office of Technology Assessment noted that the United States has weathered strategic metal cutoffs in the past. The Associated Press reported from Washington.

Representative Don Fuqua, a Democrat of Florida and chairman of the House Science and Technology Committee, said that Mr. Botha's threat should be taken seriously. Sudden and prolonged loss of supplies could hurt the auto industry in particular, he said, and perhaps cost jobs.

Mr. Fuqua, whose committee has conducted hearings on the dependence on South African materials, said the government should take an active role in developing alternative sources and substitute materials.

But he said that South Africa might be angered enough to forgo the income and jobs for the sake of retaliation. He said that chromium amounts to only about 1 percent of that country's gross national product.

The study by the congressional Office of Technology Assessment said that the United States has weathered four cutoffs of such materials since World War II without dire consequences.

On two of those occasions chrome was the material withheld, once in the late 1940s, when the Soviet Union halted its supplies, and the other from 1966 to 1972, when the United Nations imposed an embargo on Rhodesian chromium.

The study said that industry has the ability to develop advanced materials to substitute for chrome in alloys and other applications, and that much chromium can be recovered with recycling. To a lesser extent, it said, the United States can develop other countries as sources.

According to the study, South Africa accounted for 34 percent of world production of chromium in 1982. The Soviet Union accounted for 33 percent, and other sources included Canada, Brazil, Finland, Turkey, India, the Philippines, Albania and Zimbabwe.

The United States imported 48 percent of its supplies from South Africa and 17 percent from the Soviet Union.

John D. Morgan Jr., chief staff officer for the U.S. Bureau of Mines, pointed to the use of other minerals as substitutes, such as tungsten and others found in the United States. He said there still are other countries with chromium reserves that could be developed to replace South Africa in the event of a cutoff.

Since mid-September, groups of South African businessmen and opposition politicians have met separately with the congress's leaders.



Kenneth Kaunda

Africa Leaders Bring Warning to UN Speakers Implore West to Apply Sanctions on Pretoria

By James Brooke
New York Times Service

UNITED NATIONS, New York — African leaders sounded a common theme in their speeches this week to the General Assembly. The world faces a choice between imposing economic sanctions on South Africa or watching a destructive explosion by the black majority there.

"A catastrophic explosion which will engulf all of us in the region is imminent," President Kenneth D. Kaunda of Zambia said in a speech Tuesday.

"If you don't apply sanctions," he said, "hundreds of thousands of people will die and the investments will go up in flames. With sanc-

tions, there is a possibility of recovery."

After expressing his disappointment over Britain's refusal to endorse full sanctions at a Commonwealth meeting in the Bahamas, Mr. Kaunda said that the greatest hope for the success of sanctions was with the American people.

"We are dependent on the American people pressuring to go ahead with sanctions," he said. "All I can say is, please continue."

President José Eduardo dos Santos of Angola, in addition to joining the call for economic sanctions, told the General Assembly that constant South African attacks on his country justified the presence of Cuban troops in Angola.

"Today, there are still Cuban military forces in Angola," he said. "For the simple reason that the intervention of foreign armed forces in our country had not stopped."

[Mr. Dos Santos will visit Cuba soon at the invitation of President Fidel Castro. The Associated Press in Mexico City quoted the Cuban news agency Prensa Latina as reporting Wednesday.]

The president of Guinea-Bissau, João Bernardo Vieira, denounced South African support for anti-government rebels in Angola. Guinea-Bissau shares a common

Portuguese colonial heritage with Angola.

The president of Equatorial Guinea, Lieutenant Colonel Teodoro Obiang Nguema, used part of his speech to make a plea for respect for younger and weaker nations. Equatorial Guinea, on the west coast of Africa, won its independence from Spain in 1968 and a population of 268,000.

"It is lamentable," he said, "to note the negative practices of some countries in relations with weaker states to create in them internal problems which create crises or weaken their independence."

Among the detrimental practices by the large toward the small, he said, were "the importation of ideologies which don't correspond to the life style of the population, protectionist policies over manufactured goods and the lack of transfer of technology which impose indefinite dependency on the younger countries."

The president of the Comoros Islands, Ahmed Abdallah Abderramane, devoted a large part of his speech to an African decolonization issue overlooked by most of his colleagues. The largely Islamic population of the Comoros—three volcanic islands in the Mozambique Channel, between Mozam-



José Eduardo dos Santos

bique and Madagascar—won its independence from France in 1975. In a referendum in 1976, however, the largely Christian population of a fourth island in the archipelago, Mayotte, voted to remain with France. Mayotte, the Comoros president said, "remains today illegally occupied and administered by the old colonial power."

"La France," he said, "has played the role of a large knife coldly cutting a piece of meat, thus making of our country a three-legged ox."

Shultz Sought to Block Bill to Aid Angola Rebels

By David Hoffman
Washington Post Service

WASHINGTON — Secretary of State George F. Shultz appealed privately this month to Robert H. Michel, the Republican leader in the House of Representatives, to oppose legislation that would provide \$27 million in aid to non-Communist guerrillas fighting the Marxist government in Angola, but Mr. Michel refused, according to correspondence between them.

Mr. Shultz said in an Oct. 12 letter to Mr. Michel that "in recent weeks" both the South African government, which backs the rebels, and the Angolan government had expressed interest in negotiations. He opposed aiding the guerrillas because, he wrote, a U.S. mediating effort "needs to be pursued forcefully."

But the appeal, in a letter marked "eyes only" for Mr. Michel, has touched off an angry response from Mr. Michel and other congressional Republicans who are pushing the Reagan administration to provide the nonlethal aid. Mr. Michel retorted in a letter to Mr. Shultz that the assistance was "not only a geostrategic but a moral necessity."

Mr. Shultz's letter, made available Tuesday by sources sympathetic to the rebels, comes as the Reagan administration is in the midst of a major review of whether to aid the guerrillas of the National Union for the Total Independence of Angola, which is known as UNITA from its Portuguese initials.

At issue is whether the United States should provide either military or humanitarian aid to the group, whose guerrilla fighters in

southern Angola recently have been under heavy pressure from the Soviet-supplied and Cuban-aided forces of the Marxist government.

Legislation to provide the nonlethal aid has been introduced by Representative Claude Pepper, a Democrat of Florida, and supported by Representatives Jack F. Kemp, a Republican of New York, and James A. Courter, a Republican of New Jersey, among others.

Mr. Kemp said Tuesday that he was "deeply disappointed," and termed the Shultz letter "inconsistent with the president's goal of supporting the cause of freedom around the world." Mr. Courter added, "This is not a time to abandon our friend and call for talks."

Mr. Shultz's letter, which sources said was not shown to the White House in advance, advocates a State Department view that is not shared by other policymakers in the administration.

In July, Congress repealed a prohibition on aid to the Angolan rebels. That prohibition was enacted in 1975-76 after disclosures that the CIA had secretly provided \$30 million in assistance to UNITA and another rebel faction.

Mr. Shultz said his opposition to the current legislation was based on favorable developments in U.S. efforts to obtain a negotiated withdrawal of Cuban troops in Angola as part of a regional settlement securing independence for South-West Africa, or Namibia.

Mr. Michel retorted that any administration attempt to stop the aid to UNITA would be viewed by the Soviet Union as "an implicit withdrawal of American sympathy for freedom fighters."

Afrikaner Pastors Will Meet With ANC, Defying Botha

Washington Post Service

JOHANNESBURG — Another feud has broken out between President Pieter W. Botha and conciliatory members of the politically dominant Afrikaner community with the announcement that seven pastors of the influential Dutch Reformed Church plan to defy the government and meet leaders of the exiled African National Congress.

Mr. Botha's government caused a stir in Afrikaner intellectual circles last week by seizing the passports of eight university students to stop them from traveling to Zambia to meet members of the congress's youth league. On Tuesday, Mr. Botha accused the seven pastors of challenging the authority of the state by planning the talks despite his disapproval of contacts with the outlawed organization.

"The government has expressed its strong viewpoint on discussions with the ANC, which is a murderous organization," said a presidential spokesman in Pretoria. He said the group was "controlled by communists who reject religion."

The pastors seem determined to go ahead with the meeting. Their leader, Nico Smith, a white missionary in the black branch of the racially segregated church, said in a television interview Tuesday that they were not trying to challenge the government but felt called upon to seek reconciliation between South Africa's conflicting forces.

Since mid-September, groups of South African businessmen and opposition politicians have met separately with the congress's leaders.

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SCIENCE

Computers of the Future May Run on Light, Not Electricity

By William J. Broad
New York Times Service

SINCE its start nearly half a century ago, the computer revolution has advanced by virtue of a simple physical phenomenon: that streams of speeding electrons can start or stop the flow of other streams of electrons. In short, electrons can act as a switch.

This principle was first used in computers made of vacuum tubes, then transistors, then the powerful assemblies of thousands of transistors known as silicon chips. It is why computers run on electricity, which is simply billions of electrons in motion. All computers rely on digital switching by streams of electrons.

Today, however, a few scientists believe they are on the verge of a radical change in the fundamentals of the field. They envision computers that run on light instead of electricity.

Skeptics believe it impossible, but the goal of these scientists is to abandon electrons for the tiny packets of light known as photons.

The attraction is that photonic computers could work thousands of times faster than the best possible electronic ones, and could process data in remarkable new ways.

"The key to the future is to go from electrons to photons," said Dr. Rustum Roy, professor of solid-state science at Pennsylvania State University and past director of the university's Materials Research Laboratory.

"It's like trying to conquer Mount Everest," said Dr. Alan Huang, director of the newly formed Optical Computing Department at AT&T Bell Laboratories. "We're doing something with a lot of risk. We're talking the first step on a journey of 1,000 miles."

Yet, despite this challenge, Dr. Huang believes his Bell Labs team can create, within just a year, a primitive prototype of an optical computer and, within five years, a working full-scale model — "a real number-cruncher," as he put it. He quickly added that Bell Labs has a reputation for innovation, having invented the transistor, the laser, and many devices that have advanced the art of manipulating light to man's advantage.

THE key is to create an optical analog of the transistor, which is still the muscle behind computation. It would switch light on and off in a way similar to that in which a transistor switches electricity. Great strides are already being reported in the creation of flashing switches, sometimes known as transphosphors, that would lie at the heart of optical computers.

According to scientists, the advantages of computing with light are many, the first being speed. Under ideal conditions, electrons can move close to the velocity of light. But in the real world of silicon chips, electrons are slowed to less than 1 percent of light's velocity. Even in the miniature world of microelectronics, this means the majority of a computer's time is spent not crunching numbers but waiting for electrons to move from one place to another. To date, most increases in computer speed and power have come from shrinking the distance between electronic parts at a machine's heart, which cuts the idling time. But this approach is close to its limits.

In contrast to the laggard pace of many electronic, photons, by definition, always travel at the speed of light, which is about 186,000 miles (300,000 kilometers) per second. The switching action produced by photons can be up to 1,000 times faster than electrons.

The second great optical advantage comes from the fact that photons have no charge or mass; they are often thought of as ghostly waves rather than particles. Unlike electrons, photons have little effect on other nearby photons and can even pass right through each other.

This phenomenon excites computer scientists because multiple beams of light in an optical switch could remain separate, whereas several currents in a single transistor inevitably become mixed.

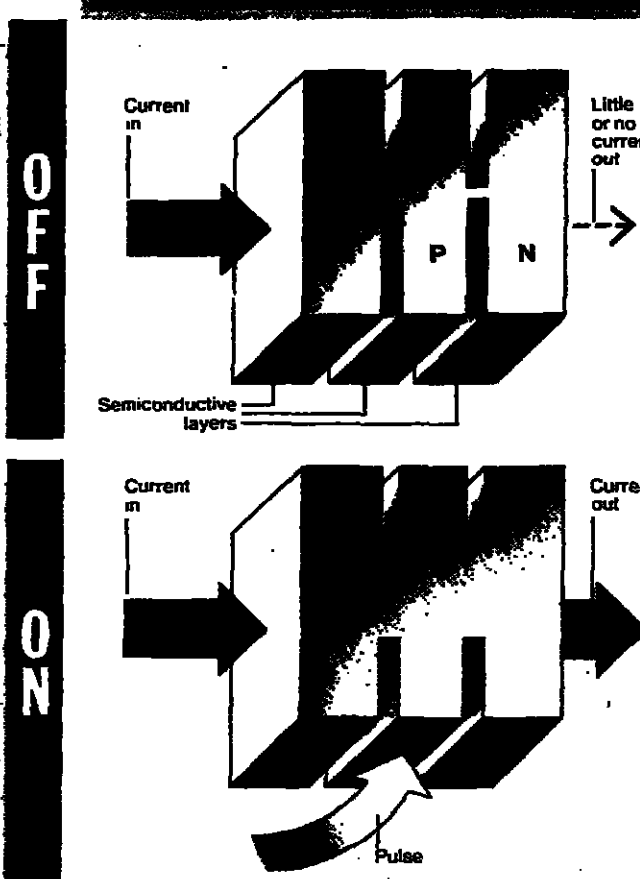
To scientists, this optical ability evokes visions of being able to exploit better than ever before an innovative computer architecture known as parallel processing. Instead of solving problems step by step — as most computers throughout the world do today — parallel machines break apart computational puzzles and solve their thousands or millions of separate parts all at once. The upshot is greater speed. True parallel processors are extremely difficult to build. Computer scientists hope that optical switches criss-crossed by beams of light could be the basis for advanced types of parallel processing.

Another general advantage is that optical switches might be able to operate in more than the "off" and "on" states of transistors, which are sometimes known as "0" and "1." Additional functions could be created, for example, by having increasing but discrete levels of laser brightness in an optical switch. These bursts of light could be the basis for creating a richer logical system, representing, for instance, "0," "1," "2," "3," and so forth. This could allow scientists to go far beyond the binary logic that has long dominated computer design.

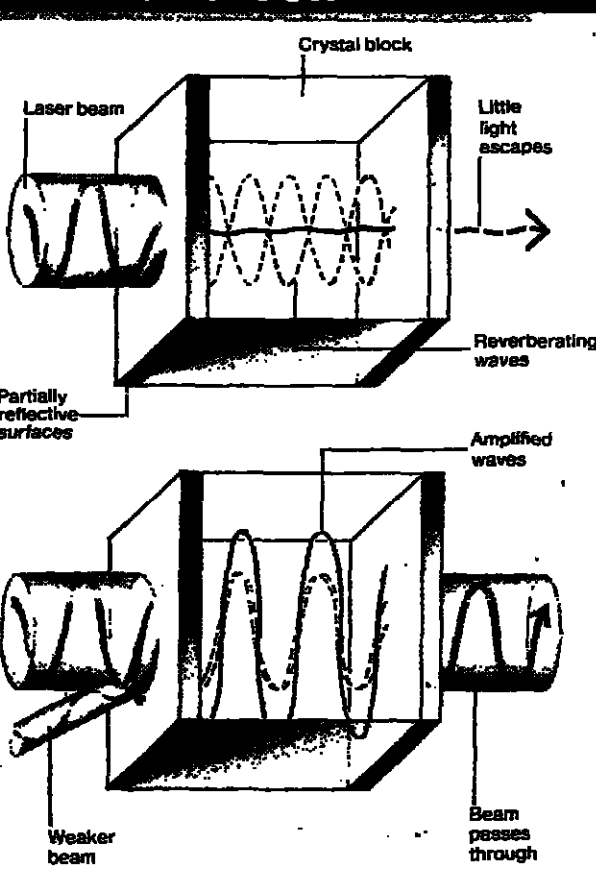
"Totally new types of computations will probably come out of optics," said Dr. Henry J. Caulfield, director of the Center for Applied Optics at the University of Alabama.

IRONICALLY, the quest to create optical switches is hampered by the very quality that makes photons so attractive — their ability not to interfere with each other. It is the "interference" between two streams of electrons, after all, that

TRANSISTOR



TRANSPHASOR



Diagrams show how electric switches work (left), compared to how optical switches would operate.

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creates the switching action in transistors.

Pioneers in overcoming this non-interference hurdle are researchers at Heriot-Watt University in Edinburgh. Their solution, known as the transphaser, fires a laser beam, a highly focused light, at a special type of crystal that is made of indium antimonide. Most of the beam bounces off it, but some also passes inside, where it bounces back and forth, with very little escaping.

However, when a second, weaker laser is also directed at the crystal, increasing only slightly the intensity of the light, a major threshold is reached inside the crystal and the reverberating waves of light start to reinforce one another, causing laser light to suddenly flash out the other side of the crystal. In effect, a weak beam of photons exerts control over a strong one. The leverage is similar to that in a transistor, where a weak flow of electrons can control a strong one.

At the moment, such optical switches require a great deal of power and are much bigger than

silicon electronic devices. Moreover, each optical switch is separate, as transistors were in the 1950s. The universal goal among scientists in the field is to shrink optical switches and pack them tightly together. Their role model is the electronics industry, whose products became much more powerful and much less expensive only after thousands of transistors could be squeezed onto a single chip, the integrated circuit.

Dr. Huang's team at Bell Labs is focusing on the creation of tiny optical switches, mainly out of gallium arsenide, a material often used in solar cells and semiconducting lasers. The principle is said to be more exotic than the Heriot-Watt transphaser, and is wrapped in the secrecy that often surrounds proprietary research at giant corporations. Though hurdles remain, Dr. Huang says the team is excited with its progress. "We set deadlines and find ourselves exceeding them," he said.

ONE allure for the lab's parent company, AT&T, is that optical computing may prove to be a powerful adjunct to its growing network of thin fibers of glass that carry light-wave communications. These can carry thousands of times more information than metal wires on telephone poles, and are already being used extensively to carry long-distance telephone calls. But light-wave signals, to be amplified and switched, today rely on electronic technology, a process of translation from photons to electrons that is expensive and time-consuming. In the future AT&T wants to eliminate the translation.

The company also sees optical computers as a general wave of the future. "It's inevitable," said Dr. Huang.

Outside a few industry and university settings, the main spur to develop optical computers comes from the Defense Department, which wants them for specialized applications in the Reagan administration's space-based military plan. Dr. Caulfield was recently named technical director of the Optical Computing Consortium of Strategic Defense Initiative, a group made up of about a dozen concerns and universities.

"Short-term payoffs will be processors to do specific jobs, things like optical image processing units," he said. "By the mid-1990s we'll have flexible programmable computers. You may never know there are optics in there. You'll see no flashing lights. It will be very dull looking. But it will run circles around everything else. Electronics just can't keep up with us."

IN BRIEF

Smokers' Infants Cost More in Care

BOSTON (AP) — Smoking mothers gave birth to 31,000 underweight children in 1983 in the United States, and the cost of caring for such dangerously small infants in their early days is \$152 million a year, a study concludes.

Underweight babies frequently must be placed in intensive care units, where the cost of saving one infant can run to tens of thousands of dollars. The study concluded that maternal smoking is responsible for 5 percent of the total annual cost of newborn intensive care in the United States, according to John Finney, executive director of Harvard's Institute for the Study of Smoking Behavior and Policy.

A report on the research, conducted by Gerry Oster, a medical economist at Policy Analysis Inc., a research company, and presented at a conference in San Francisco on smoking and reproductive health, concluded that the newborn care of the babies of smoking mothers, averages \$170 more than that of infants whose mothers did not smoke.

Potent Appetite Stimulant Identified

DALLAS (AP) — A chemical previously identified in the human brain has been found to be the most potent appetite stimulant known, and researchers say it could play a critical role in binge eating, anorexia and other eating disorders.

When the chemical, neuropeptide Y, was injected into the brains of rats, they began overeating within minutes and by the third day were eating more than twice what they would normally consume, Sarah Leibowitz, a neurobiologist at The Rockefeller University in New York said at a meeting of the Society for Neuroscience. The rats' daily weight gain was more than four times their normal gain during 10 days of testing.

Neuropeptide Y causes a craving for carbohydrates, the food groups that includes many snack items and sweets favored by binge eaters, Dr. Leibowitz said. She believes that it works in concert with norepinephrine, one of the so-called neurotransmitters that brain cells use to communicate. Both substances have been found to coexist in the human brain, and norepinephrine is also known to stimulate carbohydrate cravings.

Device Could Prevent Crib Deaths

SAN ANTONIO, Texas (AP) — A mattress-imbedded monitor that could alert parents of babies at risk of sudden infant death syndrome when the child's breathing or heart stops was displayed at the American Academy of Pediatrics Convention.

The computerized monitor, called Lifewatch, requires no wires or tape-attached electrodes to the infant's body, according to Anne Callison, of the Emergent Technology Corp. of Boca Raton, Florida, which developed the device. If approved by the Food and Drug Administration, Lifewatch would be available on a prescription basis for rentals of about \$250 a month in the United States, she said.

Sudden infant death syndrome is a condition in babies in which breathing stops for about 20 seconds. The mattress monitor sends signals to a remote microprocessor that keeps track of the infant's condition. If the baby's heart of breathing stops, the computerized unit sets off an alarm. It also gives voice directions on what emergency steps to take, Miss Callison said. An advantage of the unit is that it allows monitoring without disrupting parent-infant bonding, she said.

Novel Explanation of Moon's Origin

WASHINGTON (AP) — An Indiana University astronomer has proposed a new explanation of how the Moon was formed, the National Science Foundation announced on Monday.

Dr. Richard H. Durisen used a supercomputer to simulate the behavior of a rotating fluid object that might have been like the Earth in an early stage of its formation.

If the Earth was a molten, rapidly spinning body, he concluded, then the simulations suggest that the rotating fluid would be unstable and would develop a thick ring of material around it. The Moon could then have formed from part of the ring of material that spun away from the Earth, while the rest of the ring was scattered and lost, he suggested. However, if the Earth formed as a solid body, no instability would have occurred and no ring of material would have spun off, he acknowledged. Dr. Durisen's explanation is a refinement of the long-held "fission theory" that the Moon separated from the Earth in an early stage of development.

NYSE Most Actives				
Vol.	High	Low	Last	Chg.
Firearm 4444	28	25 1/2	26 1/2	+1
Boeing 3995	25 1/2	25 1/4	25 3/4	+1/4
IBM 1700	25 1/4	25 1/8	25 3/8	+1/8
AT&T 1700	25 1/4	25 1/8	25 3/8	+1/8
General 1700	25 1/4	25 1/8	25 3/8	+1/8
IBM 1700	25 1/4	25 1/8	25 3/8	+1/8
IBM 1700	25 1/4	25 1/8	25 3/8	+1/8
IBM 1700	25 1/4	25 1/8	25 3/8	+1/8
IBM 1700	25 1/4	25 1/8	25 3/8	+1/8
IBM 1700	25 1/4	25 1/8	25 3/8	+1/8

Dow Jones Averages				
Open	High	Low	Last	Chg.
Indus 1344.7	1373.4	1357.8	1367.16	+2.9
Trans 611.38	644.91	633.79	640.81	+1.4
Util 552.8	557.15	549.49	554.53	+1.0
Comp 553.28	557.15	549.49	554.53	+1.0

NYSE Index				
High	Low	Close	Chg.	Vol.
1344.7	1373.4	1367.16	+2.9	1.1
611.38	644.91	640.81	+1.4	1.1
552.8	557.15	554.53	+1.0	1.1
553.28	557.15	554.53	+1.0	1.1

NYSE Diaries				
Advanced	Declined	Unchanged	Total Issues	Volume
274	643	643	2014	2014
274	643	643	2014	2014
274	643	643	2014	2014
274	643	643	2014	2014

AMEX Diaries				
Advanced	Declined	Unchanged	Total Issues	Volume
274	643	643	2014	2014
274	643	643	2014	2014
274	643	643	2014	2014
274	643	643	2014	2014

NASDAQ Index				
Class	Chg.	Week	Year	Vol.
Indus	+1.32	26.48	26.53	1.1
Trans	+1.32	26.48	26.53	1.1
Util	+1.32	26.48	26.53	1.1
Comp	+1.32	26.48	26.53	1.1

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
BAT 11	27 1/2	27 1/4	27 3/4	+1/4
Boeing 3995	25 1/2	25 1/4	25 3/4	+1/4
IBM 1700	25 1/4	25 1/8	25 3/8	+1/8
AT&T 1700	25 1/4	25 1/8	25 3/8	+1/8
General 1700	25 1/4	25 1/8	25 3/8	+1/8

AMEX Stock Index				
High	Low	Close	Chg.	Vol.
227.87	226.55	227.87	+1.32	1.1

12 Month	High	Low	Stock	Div.	Yld.	PE	52	High	Low	Close	Chg.	Vol.
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100

Shares Close Higher on NYSE

United Press International

NEW YORK — Share prices finished higher Wednesday on the New York Stock Exchange in active trading.

The Dow Jones industrial average, which rose 0.22 Tuesday, setting a closing record, finished up 2.80 at 1,367.16.

Advances led declines by a 4-to-3 ratio among the 1,989 issues traded and volume amounted to 121.7 million shares compared with 111.3 million Tuesday.

Analysts said buying in the technology sector after Digital Equipment issued a stronger than expected earnings report Tuesday aided the market.

But Charles Comer of Oppenheimer & Co. said that it was "grasping at straws" to conclude from the firmness in the high-tech issues that the market would go higher.

"The buying in the technology sector has given the market a little bit better tone but it is not important enough to support a sustainable advance," Mr. Comer said.

"Takeovers are still the only game in town," Mr. Comer said, adding that the buoyancy those deals have lent the market could evaporate if one of them falls through. "The uncertainty built into the takeover game can keep the market off balance," he said.

Harry Vilcek of Sutro & Co. in Palo Alto, California, said the market would "back and fill" for the rest of the week. He said the market would move to new highs again, propelled there partly with cash that has built up as a result of takeovers and leveraged buyouts.

Before the market opened, the Commerce Department reported U.S. consumer prices rose

0.2 percent in September, a figure in line with economists' expectations.

Wall Street was disappointed by the government's report that U.S. durable goods orders in September fell 1.1 percent. Economists noted the figure was depressed by a sharp decline in defense orders, a component of the durable goods data that tends to be quite volatile.

The Labor Department reported that gross weekly earnings for U.S. workers rose a seasonally adjusted 0.7 percent in September.

Fireman's Fund Corp., the largest initial public offering in American history, was the most active NYSE-listed issue and higher.

Beatrice Cos. was up in active trading. IBM was gaining. Burroughs and Digital Equipment, after climbing 4 1/2 Tuesday on a stronger-than-expected earnings report, were ahead.

Chrysler was ahead. The company reached a tentative three-year labor agreement with the United Auto Workers that could end an eight-day strike by Chrysler workers in the United States.

Northwest Airlines was lower. It reported third-quarter earnings fell to \$1.53 a share from \$1.97 a share in the year-earlier quarter.

Eastern Airlines and Western Airlines were also losing ground.

R.H. Macy was moderately lower after jumping more than 16 points Monday on news that the company's senior management intended to make a leveraged buyout proposal of \$70 for all Macy's shares.

Other retailers were mixed. Federated Department Stores was down and Woolworth's was up.

12 Month	High	Low	Stock	Div.	Yld.	PE	52	High	Low	Close	Chg.	Vol.
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100

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12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100

PATEK PHILIPPE

Disponibles chez les meilleurs joailliers mondiaux

Chopard & Cie S.A., 8, rue de Vevey - Genève 622 82 17 17

12 Month	High	Low	Stock	Div.	Yld.	PE	52	High	Low	Close	Chg.	Vol.
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
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12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
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12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
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12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
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12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00	15.00	100	13 1/2	12 1/2	13 1/2	+1/4	100
12/84	14	12 1/2	AAR	1.00	4.00							

THURSDAY, OCTOBER 24, 1985

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WALL STREET WATCH

Fidelity's Magellan Leads
Flotilla of Mutual Funds

By EDWARD ROHRBACH
International Herald Tribune

BOSTON — Peter S. Lynch, the helmsman of Fidelity Investments' \$3-billion Magellan fund, leader on virtually all the long-term performance charts that rank Wall Street's flotilla of often hundreds of mutual funds, has just returned from visiting 25 European companies over three weeks.

It was his first business trip to Europe in more than 10 years, with stops in Sweden, Norway, Switzerland, Italy and West Germany. But he will be voyaging back in November after only a month in Fidelity's home harbor here, this time checking out current and potential stock investments in the United Kingdom and France.

Why such a focus on the old world?

Mr. Lynch pointed out that the top performing U.S. mutual fund over the year's first nine months was his firm's very own Fidelity Overseas Fund.

And as the name implies, Magellan was chartered in 1963 to dabble in foreign investments. Overseas investments have risen gradually over the last five years, he noted, and today account for 14 percent of the fund.

"Markets just aren't efficient when you compare them worldwide," he said. "That's how I got into Volvo—a bell went off in my head when I was analyzing GM and Ford that included research into some of their foreign competitors."

Mr. Lynch added that Unilever appeared more attractive to him than Procter & Gamble and Royal Dutch caught his eye when he was looking at Mobil.

"I'd just bought some Anheuser-Busch, then discovered Heineken employed much more conservative accounting. I didn't sell my Heineken (U.S. Budweiser beer), but began buying Heineken," he said. Semiconductors are another example he cited. "I lost my shirt and part of my pants investing last year in U.S. companies. But Philips NV, actually a big player in the field, was making a nice gain then for the fund."

European banks have also helped keep Magellan buoyant. Mr. Lynch noted that while investment in Manufacturers Hanover was sinking 20 percent, shares in Deutsche Bank doubled.

He said the first step in evaluating a European company is checking out its financial position. This is comparatively easy he said. But also important, though harder, is adjusting earnings to make comparisons with U.S. companies in the field.

"If you can find a European company with a balance sheet better than its American competitors and [which] is also spending more on R and D, it's probably a very good buy," he declared.

"Mine is a top-down approach. I do it by industry. I don't look at currencies, inflation rates or politics."

Mr. Lynch thinks American investors are probably a "reverse indicator" who typically get interested in foreign stocks after the big gains have been made.

At the time two or three research reports have been written by major U.S. brokerage firms recommending a foreign company, or the up-to-the-minute price becomes available on your Quotron machine, he said, "the issue probably only has three to six months left left in it."

Asked how he as an American living in Boston could hope to discover better investments overseas than non-Americans already in place, he replied, "I don't know if I'm doing better than money managers over here. I'm paid to beat" the averages here.

The truth is, stock market indexes have been "slow boats to China" compared with Mr. Lynch's flank-side performance at Magellan since he took over seven years ago. The fund is up almost a dozenfold.

Perhaps even more impressive, and as the advisory letter Mutual Fund Forecaster points out, "Magellan is one of the very few funds in history that has managed to produce just as spectacular a performance after its assets exceeded \$1 billion as it had before they reached the \$100-million level."

Mr. Lynch has constantly expanded the number of stocks in

(Continued on Page 13, Col. 4)

Currency Rates

Cross Rates	Oct. 23
Amsterdam	1.7375
Bremen	1.7375
Frankfurt	1.7375
London	1.6535
Paris	1.7375
Switzerland	1.7375
Yokohama	1.7375

Charges in London and Zurich. Exchanges in other European centers. New York rates of 4 P.M. (Oct. 23) Commercial rates (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (d) Units of 100 (e) Units of 1,000 (f) Units of 10,000 (g) Not quoted; (h) Not available.

(Oct. 23 To New York)

Other Dollar Values

Currency per U.S. dollar

Oct. 23

Amsterdam

Bremen

Frankfurt

London

Paris

Switzerland

Yokohama

Other dollar values

Currency per U.S. dollar

Oct. 23

Amsterdam

Bremen

Frankfurt

London

Paris

Switzerland

Yokohama

Other dollar values

Currency per U.S. dollar

Oct. 23

Amsterdam

Bremen

Frankfurt

London

Paris

Exxon Profit Falls 22%

Phillips Reports 83% Fall in Net

The Associated Press

NEW YORK — Exxon Corp., the biggest U.S. oil concern, said Wednesday that its earnings fell 22 percent in the third quarter.

The decline reflected falling world oil prices, a decline in the dollar and the expense of closing two plants in West Germany, Exxon said.

Separately, Phillips Petroleum Co., which earlier waged a costly battle to survive two takeover attempts, said its profit plunged 83 percent from a year earlier, even though revenue climbed 7 percent.

Phillips said the quarter included nonrecurring costs of \$87 million, or 39 cents a share, primarily from early retirement programs and asset write-downs.

Exxon said its profit declined to \$985 million from \$1,275 billion in the third quarter of 1984. A stock buyback program, which reduced the number of outstanding shares, reduced the impact of the drop in profit on per-share earnings, which declined 15.8 percent, to \$1.33 from \$1.58.

Revenue fell 5.2 percent, to \$22.3 billion from \$23.5 billion in the year-earlier period.

Clifton C. Garvin Jr., the chairman of Exxon, said earnings were hurt by \$190 million in foreign-exchange losses and an after-tax charge of \$135 million for closing a refinery in Hamburg and a chemical plant in Cologne.

"The continuation of unsettled conditions in world markets for crude oil and petrochemicals also contributed to lower third-quarter earnings, although some strengthening was evidenced as the quarter ended," Mr. Garvin said.

With prices of crude oil falling but prices of gasoline and other refined petroleum products remaining stable, Exxon's operating profits from the refining and sale of petroleum products rose 10.5 percent in the third quarter.

For the first nine months of the year, Exxon said earnings fell 25.2 percent, to \$3,065 billion, or \$4.03 a share, from \$4,100 billion, or \$4.96, a year earlier. Revenue slipped 5.8 percent, to \$68.5 billion from \$72.7 billion.

Phillips said third-quarter net fell to \$36 million, or 12 cents a share, from \$217 million, or 47 cents, a year earlier. Revenue increased to \$4 billion from \$3.74 billion.

Nine-month net totaled \$252 million, or 81 cents a share, down 61 percent from \$641 million, or \$1.39, a year earlier. Revenue rose 2 percent, to \$12 billion from \$11.75 billion.

25 LARGEST FOREIGN ACQUISITIONS OF U.S. INTERESTS 1984

ACQUIRER	ACQUIRED / MERGED FIRM	PRICE IN MILLIONS OF DOLLARS
1. Broken Hill Proprietary Co. (Australia)	Uranium International Co.	\$2,400.0*
2. Bank of Montreal (Canada)	Harris Bankcorp Inc.	\$466.6
3. Hanson Trust PLC (England)	U.S. Industries Inc.	\$487.6
4. Fuji Bank Ltd. (Japan)	Commercial Finance Unit of Walter E. Heller International Corp.	\$425.0*
5. News Corp. Ltd. (Australia)	Business publications division of Ziff-Davis Publishing Co.	\$350.0*
6. Interoil Ltd. (Canada)	Proppes Drug Stores Inc.	\$320.0
7. Nippon Kofun K.K. (Japan)	National Steel Corp. (50%)	\$292.0
8. Mitsubishi Bank Ltd. (Japan)	BanCal Tr-Store Corp.	\$282.0
9. Daiichi Kangaroos Ltd. (Scotland)	Somerset Importers Ltd.	\$250.0*
10. Norwegian Caribbean Lines (Norway)	Royal Viking Line Inc.	\$236.9
11. Fuyo Ltd. (Japan)	Amstar Corp. (add'l 19.5%)	\$189.2
12. Fuyo Bank Ltd. (West Germany)	S.M. Flamingo, Inc.	\$172.8
13. Whitbread & Co. PLC (England)	Buckingham Corp.	\$100.0*
14. Societe Quebecoise d'Industries Petrolieres (Canada)	Sundance Oil Co.	\$95.1
15. AB Volvo (Sweden)	Hamilton Oil Corp. (add'l 18%)	\$91.7
16. News Corp. Ltd. (Australia)	Chicago Sun-Times	\$90.0*
17. Beecham Group PLC (England)	Roberts Industries Inc.	\$85.0
18. Interoil Ltd. (Canada)	Rea & Deane Inc.	\$85.0*
19. Saitoh & Saitoh Co. PLC (England)	Hay Group	\$80.0
20. Tarmac PLC (England)	Cement operations of Lone Star Industries Inc.	\$80.0*
21. News Corp. Ltd. (Australia)	St. Regis Corp. (5.6%)	\$65.1
22. Unicom Canada Corp. (Canada)	Institutional Investors Corp.	\$62.0
23. Charterhouse J. Rothschild PLC (England)	Stanley Insurance Corp.	\$60.0
24. Beecham Group PLC (England)	Highgate Co.	\$53.0
25. AB Volvo (Sweden)	Hamilton Brothers Petroleum Corp. (add'l 24.8%)	\$52.0

* Shareholders by American general company. Shareholders of foreign firms in foreign companies not included.

COUNTRIES MOST ACTIVE IN U.S. ACQUISITIONS 1984

COUNTRY	TRANSITIONS
United Kingdom	50
Canada	41
Japan	12
Netherlands/Netherlands Antilles	12
France	11
Sweden	9

SOURCE: Mergers & Acquisitions Magazine

INDUSTRY AREAS ATTRACTING FOREIGN BUYERS 1984

INDUSTRY AREA	TRANSITIONS
Retail trade	15
Mining, oil & gas extraction	14
Business services	13
Printing & publishing	11
Machinery, except electrical	11
Electrical & electronic machinery	11

SOURCE: Mergers & Acquisitions Magazine

Targeting U.S. Firms From Abroad

Foreign Concerns Learn American-Style Takeover Tactics

By Michael Schrage and David A. Vise
Washington Post Service

WASHINGTON — Stephen Waters, merger chief for Shearson Lehman Brothers, believes that when he goes to London later this month to speak at a financial conference, the most crowded session will be his primer on how to pursue a hostile takeover — American-style.

That is just one sign of a recent surge in curiosity and activity by foreign companies tempted by the prospect of acquiring U.S. corporations.

The increasing globalization of consumer and industrial markets, the desire to buy a stake in the relatively robust U.S. economy, and, more recently, the decline of the dollar have combined to ignite a new acquisitiveness in the United States by some of the largest multinational corporations from abroad.

The surprise is "the dimensions of interest," said Jeffrey Rosen, head of international mergers and acquisitions at First Boston Corp. "It is no longer confined to \$25 million-to-\$50 million deals or, at the outside, \$200-million deals."

He added: "What we are seeing is significant interest in very large acquisitions across a broad spectrum of industries and much greater U.S.-style sophistication in terms of acquisition techniques. People are no longer afraid of a deal that may require a more aggressive approach to get the deal done."

"It's brutal, blunt, direct and fast," said Kamal Mustafa, a mergers and acquisitions specialist at Citicorp, referring to the effect of U.S. takeover tactics adopted by foreign companies. "It's got all the efficiencies associated with a lack of tact."

Mr. Mustafa and Mr. Rosen point to last year's \$2.9-billion takeover of Carnation Co. by Nestle

Co. of Switzerland as the "watershed" acquisition that sparked the multibillion-dollar takeover-bid boom.

As further examples that foreign companies are willing to risk hostile takeovers, the specialists also cite this year's bids from Unilever, the Dutch-British conglomerate, for Richardson-Vicks Inc. and Hanson Trust PLC's bid for SCM Corp.

Part of this new aggressiveness is directly attributable to the frenetic pace of domestic U.S. merger and acquisition activity.

If foreign companies were to delay, "most of the big deals would be gone," Mr. Mustafa said. "The companies want to buy the No. 1, 2 or 3 American companies" in their fields, he said. "If they buy Nos. 4, 5 or 6, they might not get anywhere."

For example, Unilever, eager to expand its consumer-products presence in the United States, has not given up after failing in its bid to acquire Richardson-Vicks. Even though Unilever's bid for Vicks led to the sale of the company to Procter & Gamble Co., its biggest competitor, a Unilever spokesman, Humphrey Sullivan, said last week that the company was looking for another U.S. acquisition target.

Consequently, foreign companies now are working with U.S. investment bankers to assure that they have a crack at premium American companies.

Citicorp said that it has doubled the number of its international mergers and acquisitions specialists over the past year. Goldman, Sachs & Co. has moved international merger specialists from New York to London. First Boston said it plans to "significantly increase" the number of profes-

sionals in its takeover department.

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sionals in its takeover department.

Consumer Prices
In U.S. Up 0.2%
In September

Compiled by Our Staff From Dispatches

WASHINGTON — Falling transportation costs held the September consumer price rise to a scant 0.2 percent for a fifth straight month, the U.S. Labor Department reported Wednesday.

In another report, the U.S. Commerce Department said that orders to U.S. factories for durable goods dropped 1.1 percent last month as a big decline in demand for military hardware offset small gains elsewhere.

Without last month's 19.3-percent drop in defense contracts, new orders would have posted a 0.7-percent increase and a particularly key category, non-defense capital goods, showed a 4.7-percent increase.

September's seasonally adjusted 0.2-percent rise in the Consumer Price Index means retail prices are rising at a 3.2-percent rate for the first three-quarters of 1985 and, coincidentally, are up 3.2 percent over September 1984.

For the past five months, prices have risen at an annual rate of just 2.4 percent — mostly because of declining grocery and fuel costs.

A fifth straight decline in the transportation component — which includes gasoline and automobile price and financing charges — was the main factor in keeping September's overall increase modest despite a rare rise in grocery prices.

Gasoline prices were off 0.8 percent for the second month running. Used car prices fell 0.2 percent after a 1.2-percent decline in August. New car prices continued to rise — up 0.3 percent — but financing charges were down 4.6 percent, the tenth consecutive monthly drop.

Overall food and beverage costs, including restaurant meals, rose 0.3 percent, the sharpest since a 0.5-percent rise last February.

That component had risen a minuscule 0.1 percent in each of the

preceding three months because of generally lower prices for food purchased in stores.

But beef and veal prices rose 0.5 percent last month, the first increase this year, and the fresh fruit and vegetable category was up 0.7 percent because of sharply higher lettuce prices. That left grocery prices up 0.3 percent, the same as the broader food and beverage index of which they are a part.

The cost of meals eaten outside the home rose 0.5 percent and alcoholic beverage prices rose 0.3 percent.

Housing costs were up 0.2 percent, medical care costs 0.5 percent, clothing prices 0.5 percent and entertainment costs 0.5 percent.

In all, the broad-gauge Consumer Price Index for All Urban Consumers stood at 334.5 in September, meaning goods costing \$10 in 1967 would have cost \$324.5 last month.

In the durables report, meanwhile, the Commerce Department said that new orders increased 2.8 percent from July to August following a 2.3-percent decline from June to July. New orders were worth \$106.1 billion in September, after seasonal adjustment, \$1.2 billion less than in August.

Durable goods are watched closely because they are a particularly good gauge of the business community's buying sentiment. The orders can show the effect of interest rates, since most durables purchases have to be financed.

Transportation-equipment orders were down 4.7 percent following a 10.5-percent increase in August, mostly due to large increases in the motor vehicle and aircraft industries.

Machinery orders increased 3.9 percent with an increase in electrical machinery offsetting some of the month's decline in non-electrical goods.

(AP, UPI)

Norwegians Defy OPEC,
Will Increase Oil Output

Reuters

OSLO — Norway has refused to heed OPEC demands to shore up prices by cutting back production, according to a statement Wednesday by the oil and energy minister, Kaare Kristiansen.

Mr. Kristiansen told a seminar that Norwegian crude oil production will reach 1.1-million barrels per day by 1990, an increase of 40 percent over current levels.

Norway is not a member of the Organization of Petroleum Exporting Countries.

Although Mr. Kristiansen ruled out cooperation with OPEC, he said he was willing to meet with the Indonesian oil minister, Subroto, who is the current OPEC chairman, as long as it did not imply any closer Norwegian link to the organization.

Mr. Kristiansen told the seminar that average Norwegian output in 1985 will be 760,000 barrels daily, although production at the end of this year will be about 100,000 barrels per day higher than the annual average.

Oil companies operating on the Norwegian continental shelf have said production was likely to top 1 million barrels daily as early as January 1986.

Oil industry analysts said Norway's 1990 production would be more than several OPEC nations.

Mr. Subroto, who is in England for an oil conference, will meet with the British energy minister, Peter Walker, in London, but Britain, the major North Sea producer, has also ruled out cooperation with the cartel.

On Tuesday in Jakarta, Mr. Subroto called for cooperation between OPEC producers, non-OPEC producers and oil consumers as the only way to rule out sharp oil

price movements. Earlier he had called for a meeting of OPEC and non-OPEC countries to discuss cooperation to ensure a stable market.

Mr. Kristiansen said that North Sea production levels are unlikely to increase dramatically in the next 10 years because British production, currently about 2.6-million barrels daily, will soon begin to drop as Norwegian levels increase.

■ Mexico to Raise Price

Mexico will raise the price of Isthmus crude soon by between 50 and 75 cents a barrel, Reuters quoted diplomatic sources as saying in Mexico City on Tuesday.

The disruption of Soviet supplies, low inventory levels worldwide and the continuation of the North Sea maintenance program have kept demand strong, they said.

The sources said the high-quality Isthmus, at \$26.75 a barrel for U.S. delivery, was under the price of competitors such as November Brent at \$28.50.

They said the increase was to have been made for October but was put off because of September's earthquakes, which disrupted administration.

The price of Isthmus crude was cut in July by \$1 a barrel when Mexico's oil exports had fallen to nearly half their average level of 1.5 million barrels per day.

The sources said that memories of that event have made Mexico nervous about declining output, and that the increase will probably only be 50 cents, although 75 cents is possible.

The rise was likely to be announced after Wednesday's regular meeting of the pricing committee, they added.

South Africa
Gives Creditors
Growth Forecast

Reuters

LONDON — South Africa told its 30 leading creditor banks on Wednesday that it expects to have a current account surplus for at least the next two to three years, a spokesman for the mediator at the talks said.

The meeting, the first held between South Africa and its creditor banks since the country last month imposed a moratorium on repayment of most of its foreign debt, South Africa gave details of that moratorium to the banks and answered technical questions at the meeting.

The spokesman said that South Africa has "a problem of illiquidity," but that it told creditors it expects modest economic growth next year.

Banking sources said that South Africa is expected to generate a surplus of about \$2 billion next year in its current account — which measures trade in goods and services as well as interest, dividends and certain transfers.

Bankers said that economic growth of roughly 2.5 percent seems likely in 1986, but would not be sufficient to lessen South Africa's black unemployment problem.

Fritz Leutwiler, the former Swiss central bank president who mediated the talks, said that another meeting likely would be called in a few weeks. He said that in the meantime, he would be having additional discussions with the banks.

Chrysler, UAW Agree
On Tentative Contract

The Associated Press

HIGHLAND PARK, Michigan — Chrysler Corp. and the United Auto Workers agreed Wednesday on a tentative contract that gives 70,000 striking U.S. workers equal pay with the other top domestic automakers and could cost Chrysler more than \$1 billion.

The three-year agreement, announced at 3:15 A.M. by the UAW president, Owen F. Bieber, and the vice president, Marc Stepp, ended a bargaining session that lasted more than 42 hours.

Among the provisions of the pact was a \$2,000 bonus to each worker for helping the company avoid bankruptcy.

Officials said production should be back to normal by Monday.

Mr. Bieber said the agreement exceeds the pattern set in UAW contracts with Ford Motor Co. and General Motors Corp. Chrysler is the third largest U.S. automaker after Ford and GM.

"The package that we present to the workers is parity pay," he said. "It will move our entire bargaining program forward."

The proposal also includes lump-sum payments for concessions that workers made during Chrysler's brush with bankruptcy in the late 1970s, and addresses their job security and subcontracting concerns that sparked the strike, Mr. Bieber said.

"I'm confident that when the rank and file hears what's in the contract, their reaction will be affirmative," he said.

Chrysler's chief negotiator, Thomas Miner, said the cost of the

contract to the company would be in excess of \$1 billion.

"We're pleased with any settlement," Mr. Miner said. The strike had been estimated to cost Chrysler about \$17 million to \$20 million a day, and Mr. Miner confirmed that figure.

"The union expects to ratify the pact over the weekend," he said. "We should be back in full operation by Monday."

Union officials, who spoke on condition of anonymity, said the first year of the contract would provide a constant payment of at least \$2,000 to 70,000 U.S. workers, and \$1

BUSINESS ROUNDUP

FCA's Quarterly Profit Totaled \$12.3 Million

The Associated Press
LOS ANGELES — Financial Corp. of America on Wednesday reported a profit in the third quarter — only the second gain it has shown in the past 1½ years when it accumulated losses of \$675.4 million.

FCA, based in Irvine, California, is the largest U.S. savings-and-loan holding company and the parent of Stockton-based American Savings & Loan Association.

For the three months ended Sept. 30, FCA said it earned \$12.3 million, or 22 cents a share, versus \$1.2 million, or an equivalent loss of 10 cents a share after payment of preferred dividends, a year earlier.

Revenue was down 9.5 percent in the quarter, to \$781 million from \$853.5 million.

The company's nine-month loss narrowed to \$43.7 million from a \$78.4-million loss a year earlier, on a 3-percent decline in revenue, to \$2.32 billion from \$2.4 billion.

FCA also said it added \$140 million to its provision for problem loans during the third quarter, raising the total to \$1.7 billion. The figure was \$1.36 billion at the end of the second quarter and \$1.13 billion at the end of last year.

As a result, FCA added \$25.6 million to its reserves to cover possible loan losses, bringing total re-

serves to \$472.6 million, the company's chairman and chief executive, William Popejoy, said.

"We believe the addition to loan loss reserves at this time is both prudent and necessary, largely because a sluggish real-estate market has increased delinquencies and foreclosures in our portfolio of single-family mortgages," Mr. Popejoy said.

FCA confirmed the new reserves were set up to cover troubled mortgages acquired during the tenure of Charles Knapp, forced out as head of the company in August 1984.

At the end of last year, the company set aside \$421.6 million in loss reserves because of mortgages issued during Mr. Knapp's tenure. A special task force established last year to dispose of the troubled loans has sold \$266 million of the loans.

FCA said its American Savings unit had a net increase in deposits in the third quarter of \$252.8 million. But \$43.9 million in deposits came from its acquisition of Pacific Savings Bank. Without those funds, FCA would have shown a net deposit loss of \$183.1 million.

FCA began losing money during the second quarter of last year, when it was forced by regulators to restate earnings and show a deficit for the quarter of \$107.4 million.

Household to Sell Retail Unit for \$700 Million

The Associated Press
CHICAGO — Household International Corp. has tentatively agreed to sell its merchandising subsidiary, one of the largest U.S. retail operations, for nearly \$700 million.

The leveraged buyout was initiated by a group of investors including Donaldson, Lufkin & Jenrette Securities Corp., a New York investment firm, and Fox Meyer Corp., a Denver drug wholesaler, and is expected to be completed by the end of the year, Household International said Tuesday.

Household Merchandising, with annual sales of \$3.4 billion, includes 176 Vee's supermarkets in California and Nevada, 739 TG&Y discount stores in the Sun Belt, 1,629 Ben Franklin variety stores and 1,079 Coast-to-Coast hardware stores.

Household International, which reported \$8.3 billion in sales last year, owns Household Finance Corp., National Car Rental and a manufacturing subsidiary.

In a leveraged buyout, a group of investors takes a public company private by buying control with borrowed money.

JVC Parent Net Falls 49%, VTR Price Drops Blamed

Reuters
TOKYO — Victor Co. of Japan, which makes phonograph records and video equipment, said Wednesday that parent company net profit fell 49 percent in the six months ending Sept. 20.

Earnings fell to 4.51 billion yen (\$20.9 million), or 19.51 yen per share, from 9.01 billion yen, or 39.06 yen per share, in the like 1984 period.

Sales slipped 1 percent, to 306.50 billion yen from 310.05 billion yen, the company said.

In the half ending Sept. 20, sales in the audio equipment division fell 4 percent, to 49.30 billion yen from 51.58 billion yen. Television sales rose 25 percent, to 45.06 billion yen from 35.92 billion yen.

Sales of video tape recorders and related equipment fell 5 percent to 198.06 billion yen from 208.99 billion yen due to a fall of about 20 percent in VTR market prices.

Citing the sales declines, JVC also revised its profit forecast downward to 10.50 billion yen for the ending March 20, 1986. Profit in fiscal 1984 was 19.70 billion yen.

JVC also noted slow sales in office automation equipment and the yen's appreciation against the dollar in revising its forecasts.

Masanobu Ikeda, the managing director, said that losses from foreign exchange were expected to be about 4 billion yen in the current year.

The company forecasts sales for the year at 615 billion yen, down from the 680 billion yen estimated earlier and compared with 650.06 billion yen in sales the previous year. It said that it expects to retain a 12.50-yen dividend for 1985-86.

BET PLC in Bid For SGB Group

Reuters
LONDON — BET PLC said Wednesday it is bidding for the whole of SGB Group, an engineering equipment concern, in an offer valuing SGB at £111 million (\$155.4 million).

But SGB rejected the offer, describing it as inadequate. The terms of the bid are three new deferred ordinary shares in BET for every four SGB ordinary shares.

C.H. Beazer (Holdings) PLC, which earlier this month made a tender offer for 25 percent of the issued share capital of SGB, said it could not comment on BET's bid until after publication Thursday of the result of the Beazer offer.

SGB's shares touched 273 pence in London Stock Exchange trading after Wednesday's developments.

E.F. Hutton Profit Fell 61% To \$6.7 Million in Quarter

The Associated Press
NEW YORK — E.F. Hutton Group Inc., parent of the U.S. brokerage house, said Wednesday its profit dropped 61 percent in the third quarter, to \$6.7 million from \$23.1 million a year earlier.

But Phibro-Salomon Inc., in a separate announcement, reported its after-tax earnings improved 17 percent to \$139 million, or 94 cents a share, in the third quarter from \$119 million, or 83 cents a share.

The decline in E.F. Hutton's net income lowered earnings per share to 25 cents from 90 cents in the quarter. But the company noted that last year's third-quarter net

was bolstered by a \$14-million retroactive tax credit.

This year's results were aided by the Aug. 1 sale of E.F. Hutton Credit Corp. to Chrysler Financial Corp.

A gain in revenue, which rose 11 percent to \$750.6 million in the latest quarter from \$675.1 million a year earlier, was absorbed by higher salaries and other expenses, according to Robert Fomon, E.F. Hutton chairman and chief executive officer.

Nine-month net totaled \$55.8 million, or \$2.09 a share, up 96 percent from \$28.4 million, or \$1.11, a year earlier. Revenue totaled \$2.27 billion, up 25 percent from \$1.82 billion.

Phibro-Salomon Inc. is a holding company for two separate subsidiaries, Salomon Brothers Inc. and Phibro Brothers Inc.

In the first nine months, Phibro-Salomon's net amounted to \$425 million, or \$2.89 a share, up 24 percent from \$342 million, or \$2.39.

"The company's third-quarter performance maintained the momentum of recent periods," said John H. Gutfreund, chairman and chief executive officer of Phibro-Salomon.

Revenue totaled \$6.99 billion in the quarter, 6 percent down from \$7.45 billion a year earlier. Nine-month revenue totaled \$19.31 billion, down 8 percent from \$21.03 billion.

Deutsche Bank Plans New Issue

Reuters
FRANKFURT — Deutsche Bank AG said Wednesday it is raising nominal capital by 117 million Deutsche marks (\$45 million) to 1.58 billion DM through a one-for-15 share issue.

The new 50-DM nominal shares will be offered at 450 DM each. This compares with a closing share price on the Frankfurt bourse Wednesday of 680 DM.

The issue, believed by bankers to be the largest in West German history, will raise 1.05 billion DM in cash. The issue will be launched between Nov. 12 and 26 and the new shares will qualify for a full 1985 dividend.

COMPANY NOTES

Alcoa of Australia Ltd. will cut alumina production at its Kwinana refinery in western Australia to 70 percent of capacity for an indefinite period. The cutback will reduce output to around 1-million metric tons yearly.

Alitalia shareholders will vote next month on a proposed listing of the company's ordinary voting shares on Italian exchanges. Sources said earlier this month that 15.38 percent of Alitalia's ordinary share capital would be offered to existing private holders of preferred stock in mid-November.

Avalon Corp. has withdrawn its \$6-per-share tender offer for Maynard Oil Co. and has agreed to sell its 7.4-percent Maynard Oil stake back for the same price. The two companies have agreed to terminate all pending litigation.

Babcock & Wilcox signed a contract with Beijing Boiler Factory to spend \$12 million on a joint venture to produce power-station boilers. The U.S. partner will provide designs, technology and quality control.

Brambles Industries Ltd. reached agreement to acquire a further 40 percent of Groupe Caib from Groupe Bruxelles Lambert SA to take its holding in Caib to 90 percent. Brambles said it will pay about 30 million Australian dollars (\$21 million) for the additional stake.

Brierley Investments Ltd. will seek shareholder approval to broaden its offshore equity base through a 20-million-share placement and an 82-million New Zealand dollar (\$46.5 million) Swiss franc convertible bond issue.

Bull, the French state-owned computer firm, has received a small order for an experimental batch of "smart cards" from Royal Bank of Canada. The cards allow customers

computerized access to a wide range of banking information. They will be supplied through Bull's U.S. subsidiary.

Crown Zellerbach Corp. said its announced restructuring will have resulted in 1,000 layoffs between March 1 and the end of the year. Severance pay accounted for a restructuring charge of \$106.2 million, after taxes, which resulted in the third-quarter loss of \$84.6 million announced Monday.

Dragonair plans to enlarge its share capital, and companies associated with Sir Y.K. Pao have agreed to take a minimum 30 percent stake. Mr. Pao would assume the chairmanship of Dragonair. Hong Kong Macao International Investment Corp. would take a 25-percent stake.

Harris Graphics Corp. is now owned 8.4 percent, or 853,000 shares, by New York investor Ivan Boesky, according to a filing with the U.S. Securities and Exchange Commission. He is considering a leveraged buyout.

Skinner Engine Co. of the United States has joined a consortium of British companies to build two coal-fired steamship engines for a Polish passenger ferry which will operate in the Baltic. The ship will be built by Kockums, and experts believe it will be cheaper to run on available Polish coal.

Bonn's Wholesale Sales Rise

Reuters
WIESBADEN, West Germany — Wholesale sales in West Germany totaled 72 billion Deutsche marks (\$27 billion) in September, an inflation-adjusted rise of just under 4 percent from a year earlier, the Federal Statistics Office said Wednesday.

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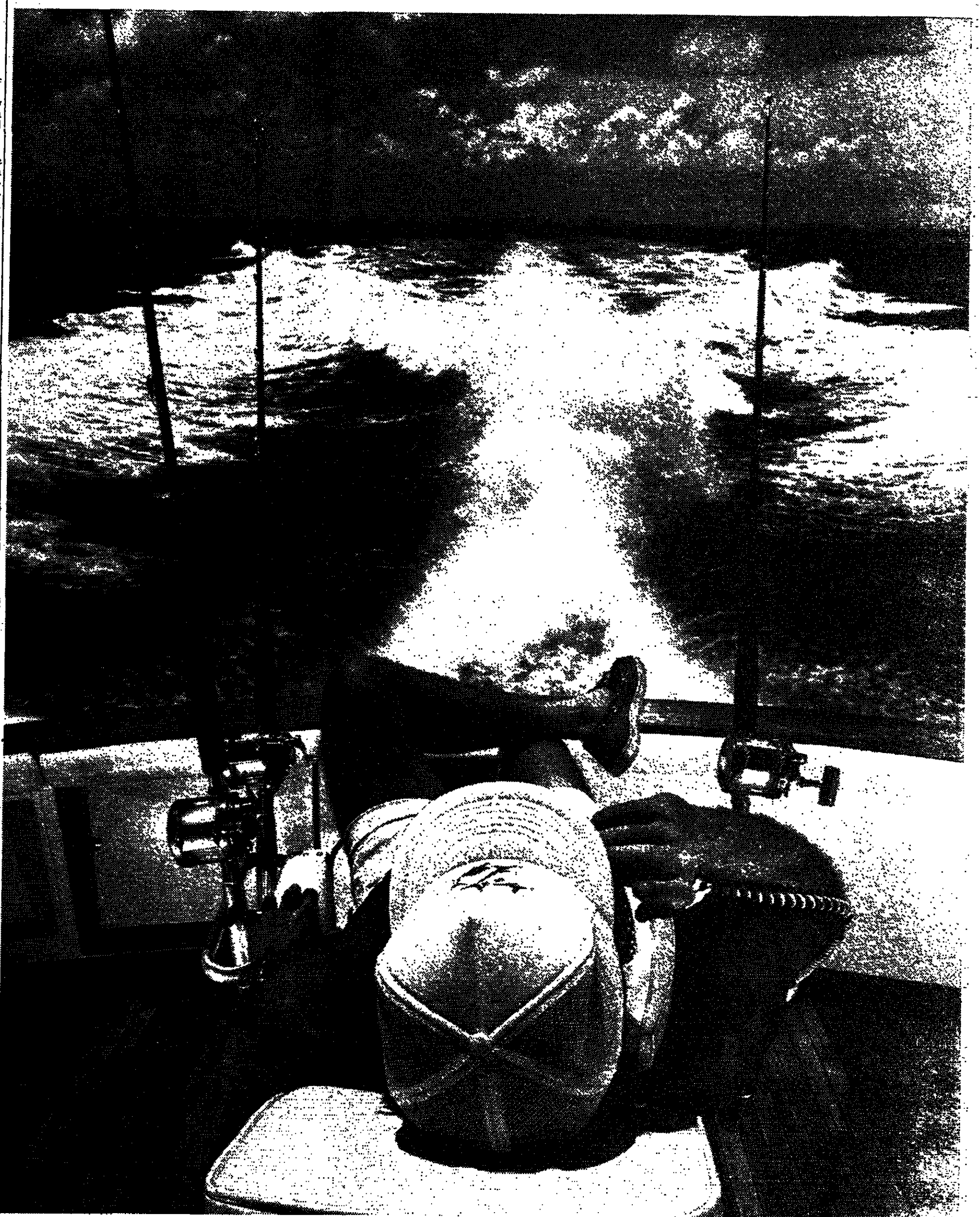
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Baker: U.S. Is Not 'Arm-Twisting' on Debt Plan

By Clyde H. Farnsworth
New York Times Service
WASHINGTON — Treasury Secretary James A. Baker 3d has testified that the U.S. government was not "arm-twisting" commercial banks or promising either federal guarantees or regulatory relief to persuade them to lend an additional \$20 billion to developing countries over three years.

"If the banks participate in this it will be because they find it is in their self-interest," he said Tuesday at a hearing before the House Banking Committee. "They've got loans in trouble. It's like any other workout situation. It's possible that reflows will make bad loans into good loans."

At another point, Mr. Baker characterized the loans that commercial banks have made to Third World countries as "an ox in the ditch."

Although many banks have already acknowledged extreme reluctance to increase their lending to the Third World, Mr. Baker said, the response was "positive" in the consultations he has had with key bankers. But he acknowledged that smaller American banks were not eager to increase their lending.

Mr. Baker was reporting to Congress for the first time on a plan he proposed two weeks ago at the joint meeting of the World Bank and the International Monetary Fund in Seoul, South Korea, to improve the

condition of cash-starved debtor countries and strengthen the world trading system.

The plan calls for \$29 billion of new money to be made available over three years to countries that streamline their economies. About \$20 billion would come from commercial banks, with \$7 billion of the total from American commercial banks. About \$9 billion of the new money would come from multilateral development banks such as the World Bank and the Inter-American Development Bank.

Although Mr. Baker stressed that he was not coming to Congress for federal money at this time, he left open the possibility that the administration would ask Congress

later for more money for the World Bank.

Peru Assails Baker Plan

Luis Alva Castro, prime minister of Peru, said Wednesday that the U.S. plan was designed to prevent unity among debtor nations, Reuters reported from Lima.

Speaking to Peru's senate, he said the condition in the Baker plan that each debtor country must handle on a case-by-case basis was an attempt to prevent these nations from making joint demands.

Peru has said it will bypass the IMF in renegotiating its debt with foreign creditors and will not receive any missions from the fund.

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Merrill Lynch

Targeting U.S. Firms From Abroad Magellan Stays Ahead

(Continued from Page 9)

sionalists it has working on international projects.

The specialists stress that corporate strategies, not favorable exchange rates, are the motivating force behind most major acquisitions.

"The real point is that exchange rates are not driving this activity," said Mr. Rosen of First Boston. "It is much more fundamental than that. I was in England for a couple of days this week, and we asked British companies what effect the weaker dollar would have on their acquisition strategy. The consistent response was, 'It's merely the icing on the cake, and we're hungry for the cake.'"

Michael Henning, managing partner of Ernst & Whinney in New York, said, "I don't feel the strength and weakness of the dollar has any major impact." As long as foreign companies borrow in dollars to make the acquisition in dollars, he said, "they are hedged."

But Frederick Adler, a venture capitalist and financier who specializes in leveraged buyouts, said, "A European technology executive from a \$1-billion-a-year company commented to me that since the drop in the dollar, their interest has increased. We've seen a pick-up in interest, and it's a logical pick-up."

The increased interest has been especially noticeable in high technology, a segment that has attracted foreign companies, even though it is undergoing a major shakeout.

"The cheaper dollar has to make it easier for foreign companies to come in," said Gilbert Mintz, a partner at Broadview Associates, which is a broker for mergers and acquisitions in the data-processing-services industry.

"The cheaper price for American technology is going to spur a brisk round of foreign acquisitions here

in America," Mr. Mintz said. "It will be interesting to see what their impact will be on American software firms. We've seen interest from a number of foreign firms—Thorn EMI, Olivetti, Reuters, Pergamon."

"The major area of aggressive interest seems to be Great Britain, and there's also interest from France," he said. "I think it's just a matter of time before the Japanese get their act a little bit more together."

British companies led foreign activity last year with 50 major agreements in industries ranging from retail to oil to industrial products, according to Mergers & Acquisitions magazine. Canadian and Japanese companies were the next most active.

But a key difference recently has been the size of the acquisitions. Recently, they include Royal Dutch/Shell Group's \$5.4-billion acquisition of Shell Oil, Broken Hill Pty. of Australia's \$2.4-billion acquisition of Utah International Co. and Hanson Trust's \$487.6-million acquisition of United States Industries Inc.

Several Japanese companies, such as the computer giant Fujitsu Ltd. and the ballbearing manufacturer Minebea Co., already have shown a willingness to come into the United States by taking over U.S. firms.

Fujitsu's stake in the Amdahl computer company and Minebea's recent acquisition of New Hampshire Ball Bearings Inc. reflect Japanese desires to establish equity positions in U.S. companies that have a good technology and distribution base.

"An American company is good for ideas, development capabilities and marketing," said Takami Takahashi, Minebea's president. "We're much better at the production."

Mr. Mustafa of Citicorp said, "We are looking at companies for the Japanese. They are starting to fine-tune their criteria for acquisitions. While there are no hostile acquisitions yet, one of them will come in on a public issue and win a bidding war, and there is a certain tendency to follow the leader in Japan, so that would mean more hostile-acquisition activity."

While some merger experts believe that hostile takeover bids by such companies as Unilever and Hanson are the beginning of a round of aggressive foreign takeover attempts, Sir Gordon White, who directs Hanson's U.S. activities, said last week that he thinks just the opposite is true.

Sir Gordon said that his company's controversial fight for control of SCM has exposed unfair and complex anti-takeover tactics used by U.S. corporations, which will discourage future hostile takeover bids by foreigners.

"The feedback I'm getting from Great Britain and France is that they are horrified," Sir Gordon said. "They cannot understand how companies in the U.S. are allowed to put in restrictions that take power away from shareholders. In Britain, the shareholders get the best deal."

He said he does not expect other foreign companies to attempt to enter the U.S. market because, "they cannot understand these tactics."

"I can't imagine French or Italian companies" getting involved in a takeover attempt in which aggressive anti-takeover tactics are used, Sir Gordon said. "They don't even speak the same language."

Ironically, merger and acquisition battles between U.S. firms also may spark new foreign acquisitions, Mr. Mustafa said.

Magellan Stays Ahead

(Continued from Page 9)

the fund, enabling him to invest in many relatively small firms. Today, the portfolio holds securities of more than 800 different companies, making Magellan the most widely diversified non-index fund in America.

But with his Titanic-sized boat speeding through the iceberg-infested waters of investing, is the captain worried?

Mr. Lynch said he only phoned back from Europe to his managing director's office at Fidelity every third day. "If a stock plummets, I usually try not to panic and wait until the dust settles," he said, adding that the fund is always very close to 100-percent invested.

A basic investment strategy he described is to purchase all the companies he might find attractive in a group, say five stocks, and "if one goes up 30 to 40 percent—assuming all the fundamentals stay the same—I'll sell that one and buy more of the other four."

Mr. Lynch admits to being too aggressive. "Stocks I've thought would go up 12 times have at best about broken even. The more size the less steak. Then there are the nicely profitable companies over the last five years that I bought where I thought I might be able to make a 30-percent gain. They've gone up tenfold."

So what is his top stock pick right now? Volvo, of which Magellan already owns 2.8 million shares.

CBS Aims to Sell TV Station
The Associated Press
NEW YORK — CBS Inc. said it would seek a buyer for its St. Louis television station as part of a strategy to recoup capital spent on discouraging an unfriendly takeover by television magnate Ted Turner.

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Wednesday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month High	Low	Stock	Div.	Yld. %	PE	52 Wk. High	Low	Close	Chg.
12.00	11.00	ADN	1.10	1.1	11	12.00	11.00	11.00	0.00
12.00	11.00	ADN	1.10	1.1	11	12.00	11.00	11.00	0.00
12.00	11.00	ADN	1.10	1.1	11	12.00	11.00	11.00	0.00
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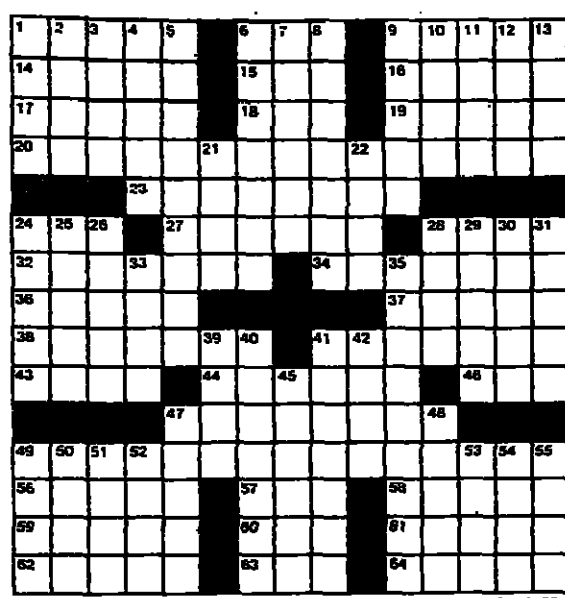
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20 Saxe
21 Superlative
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2 Hankering
3 Expose
4 Glorify
5 "Blues"
6 Potting-plant
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7 Schedule
8 Hamstrings
9 Turn
10 Very eager
11 Roller-derby
grouping
12 Promise
13 Muscovite
14 Stratagem
15 Lake or Indian
16 Otherwise

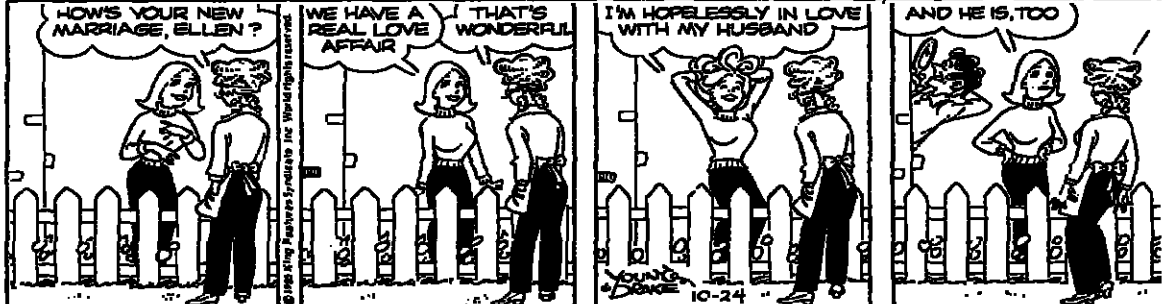
17 Prussian city,
famed for
cutlery
18 Burgess work,
with "A"
19 58 Asian capital
20 Paragon
21 Squash variety
22 "A.Q.O.T.W.F."
novelist
23 Revenagers in a
recent film
24 Notched
25 Longfellow
26 Edith and
Archie
27 Ex-constellation
28 Vessel that
saw action at
Actium
29 K.P. residue
30 Zenith's
opposite
31 Fictional
leuth
32 Limerick
product
33 (approx-
imately)
34 String
35 Nautilus
captain
36 Wags the tongue
37 Otherwise

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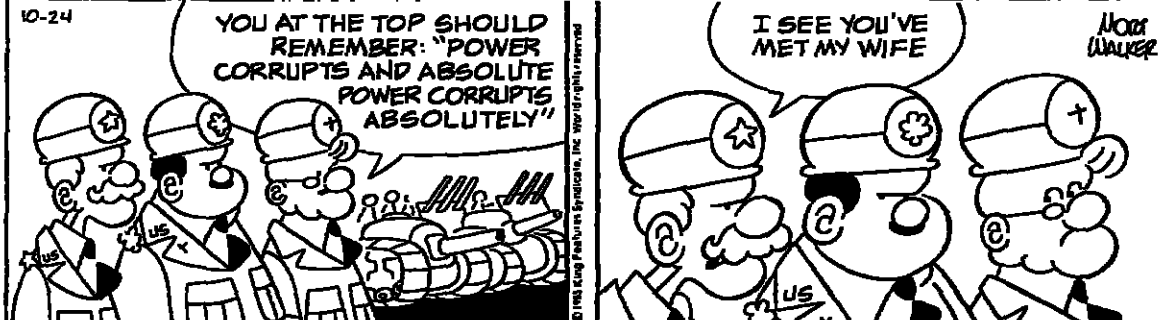
PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



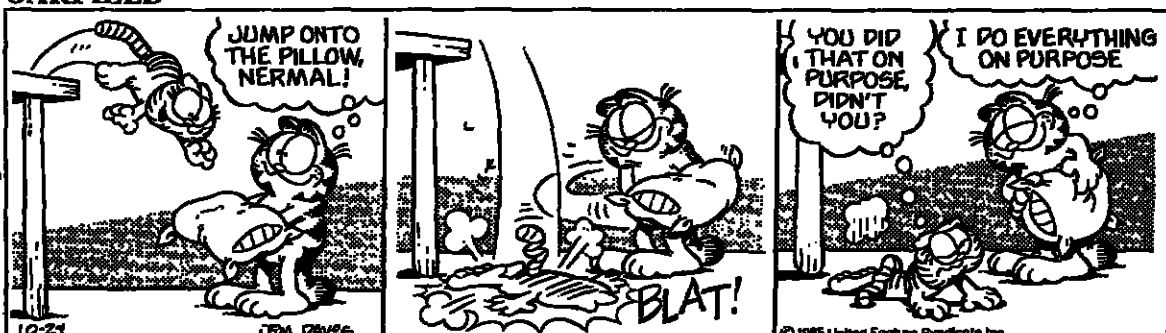
WIZARD of ID



REX MORGAN



GARFIELD



BOOKS

THE LIVELY AUDIENCE: A Social History of the Visual and Performing Arts in America, 1890-1950

By Russell Lynes. 489 pages. \$27.95.
Harper & Row, Publishers Inc., 10 East 53d
Street, New York, N. Y. 10022

Reviewed by Carlin Romano

WITH no video tie-in to distract the cultural watchdogs, Russell Lynes's survey of the modern American arts must stand on its own as history. Stand it does—but always a bit awkwardly, with the posture of a host rather than a guide.

Published as a contribution to Harper & Row's New American Nation series, "The Lively Audience" is the 11th book from this 75-year-old chronicle of American culture ("The Tastemakers," "The Domesticated Americans") and former managing editor of Harper's magazine. Partly drawn from his earlier histories of the Museum of Modern Art and the Cooper-Hewitt Museum, it offers 11 chapters packed with survey sketches of the Chautauqua movement and the 1893 Columbian Exposition in Chicago, nickedowns and early photography, the rise of museums and the fall of Beaux-Arts architecture, the Ash Can School and ragtime—all softened by the author's cheerful hand-at-your-elbow approach.

Softened, indeed, is the operative word. "The Lively Audience" avoids rigorous curtain-by-curtain history (ballet and modern dance are largely ignored) and incisive critical scorekeeping. In the best of his earlier books, Lynes played the Yankee patrician poking a stick into his culture, the wry art-world maverick donning his thinking cap (Lynes has served as president or trustee of several arts institutions).

Perhaps because it is part of a series, "The Lively Audience" settles for being a safe textbook refresher of its subject—an odd package from a man with a distinctive voice. Every page, nonetheless, shows evidence of Lynes's 14 years of research. The insistence of D. W. Griffith's early managers that audiences would

not sit still for a 28-minute movie, and the number of film courses in the United States in 1935 (one, at University of Southern California), are the kind of index card items that teach us how assumptions change, and art forms grow.

Despite its title, "The Lively Audience" pays scant attention to audiences ("Audiences by and large do not want their intellects stimulated or their emotions withered") and trains its sights on the arts themselves. While the larger part of Lynes's time period involves the rebellion against genteel art (described as "emphatically suitable to a society that set great store by proper manners, by formalities, traditions, conventions, and social fastidiousness"), he detects shifts in the tide, such as the renewed warmth toward ornament in post-modern architecture. Lynes believes that the tension between high and mass art "has proven to be beneficial" to both.

Yet it is precisely in his meier—the history of American taste—that Lynes proves most disappointing. He appears to lack either the passion or the critical apparatus for grappling with the changing tastes he reports—a failing that may stem from a contradiction in his philosophy of art. On the one hand, Lynes often implies that he accepts the so-called "institutional theory of art" that identifies art with what art institutions recognize as art. Thus he writes that photography's status as an art "seems to have been officially resolved as more and more museums have established collections of photographs." At the same time, alert to the logical consequences that attend the theory—if it were true, museums could simply put groceries under glass—he regularly backs off from its relativism. "Like any museum," he writes of the Museum of Modern Art in New York, "the Modern has followed the arts, it has not led them."

Lynes's willingness to fudge the issues leaves the reader critically adrift. One would think that a historian famed for his account of ephemeral taste yet content to write "The Lively Audience" from American culture's official 1985 viewpoint (with all the right names in), at least owes the reader a coherent aesthetic. For all the information in this book, the debt goes unpaid.

"The Lively Audience" thus suggests that the epic tale Lynes seems most intent on reciting—the United States's slow escape from a sense of cultural inferiority to Europe—remains unfinished. The arts we inherited from Europe enjoy prestige because of the grand theories Europeans built around them: Romanticism, Art for Art's Sake, the Bauhaus ethic—whatever it took to distinguish them from the ordinary activities and objects that the West never interprets, collects or honors. But "The Lively Audience," like the culture it reports, is uncomfortable with theory, the one art that might make sense of its rich yield. The native audience for that, Lynes may realize, remains to be found.

Carlin Romano is the literary editor and critic of The Philadelphia Inquirer. He wrote this review for The Washington Post.

Solution to Previous Puzzle

AGOG ABLE CADS
SAMA CABIN IDEA
SERRABBIT NELL
EPICIDES RONNIE
QOES HERA
BARNUM HAREBELL
UME XEROS SAREE
RITA SERIF RAVE
SNARL ESTOP SID
TORTOISE RECESS
POPE LENA
ARCANE SEMINARS
COOP COTTONTAIL
ETRE ADAMS ERMA
DEER CARET REST

10/24/85

BRIDGE

By Alan Truscott

ON the diagramed deal, North-South bid briskly to six spades. This was not a good contract, and South regretted his optimism when a diamond was led and he inspected the dummy.

A loser in each minor suit seemed inevitable. South captured the diamond king with the ace and led a club. He played the club king in the faint hope that West had ducked, and lost to the ace. When East now hesitated it was clear that he had no more diamonds and South was still in business.

There was no way to prevent the declarer from ruffing out the club queen and disposing of the diamond loser in the closed hand. But what about the potential heart loser?

After a routine return of a trump from East, South would

have had no difficulty. He would have won in dummy, ruffed out the club queen and returned to dummy with a trump. The diamond loser would have been discarded, the remaining trump cashed and a diamond ruffed. The lead of South's remaining trumps would then have squeezed East in hearts and clubs.

East recognized the importance of attacking South's communications. If the heart queen could be removed from the dummy the impending squeeze would not quite work. Leading a heart honor would not work if South held the nine, for he would eventually finesse against the remaining honor.

East did the best he could by leading the heart six. South's normal play at this point was the seven, and West's eight

would have left the defense on top. But South made a decision that was wrong in theory but right in practice. He put up the heart nine. When this held, he gave a sharp look at East, whose good effort had now failed.

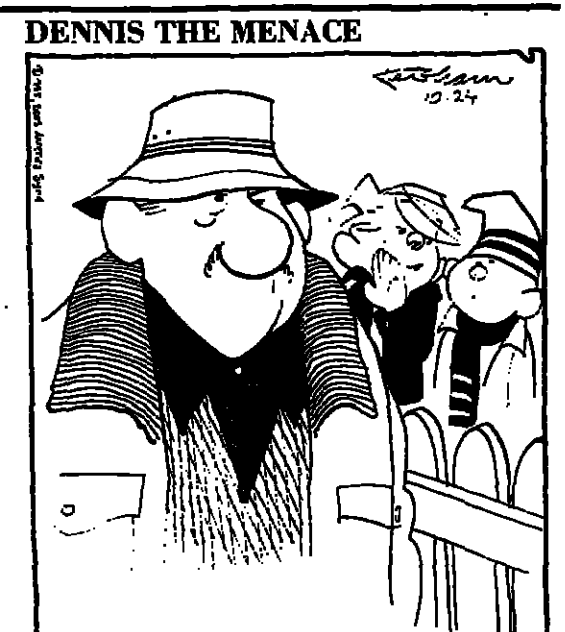
The slam now succeeded and East's team lost 13 international match points.

NORTH
♠ K Q J
♥ Q J 8
♦ Q 7 6 4
♣ K 7 5 8

EAST
♠ 10 9 7 6
♥ J 10 8 2
♦ A 8 5 3 2
♣ A Q 9 5

SOUTH (D)
♠ A 8 5 3 2
♥ A 8 7
♦ A 7
♣ 6 2

Both sides were vulnerable. The bidding:
South: 1♣, 2♦, 3♠, 4♠, 5♠, 6♠.
West: 1♥, 2♥, 3♥, 4♥, 5♥, 6♥.
East: 1♠, 2♠, 3♠, 4♠, 5♠, 6♠.



"MR. WILSON ISN'T ALWAYS MAD. HE JUST HAS A FACE THAT A SMILE WON'T FIT ON."

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

BUAQS
WETIC
INMAYL
BIFCAR

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

ANSWER: SUCH
Yesterday's Jumbles: APART WHOSE IMPUGN TAMPER
Answer: Some people with the gift of gab never know when to do this—WRAP IT UP

WEATHER

EUROPE				ASIA			
	HIGH	LOW		HIGH	LOW		
Algeria	64	59	F	72	64	F	
Amsterdam	54	49	F	72	64	F	
Athens	64	59	F	72	64	F	
Berlin	54	49	F	72	64	F	
Bombay	84	79	F	72	64	F	
Buenos Aires	64	59	F	72	64	F	
Calcutta	84	79	F	72	64	F	
Canton	64	59	F	72	64	F	
Cebu	84	79	F	72	64	F	
Colon	84	79	F	72	64	F	
Hankow	64	59	F	72	64	F	
Hong Kong	64	59	F	72	64	F	
Kobe	64	59	F	72	64	F	
London	54	49	F	72	64	F	
Lyons	54	49	F	72	64	F	
Manila	84	79	F	72	64	F	
Medan	84	79	F	72	64	F	
Osaka	64	59	F	72	64	F	
Paris	54	49	F	72	64	F	
Shanghai	64	59	F	72	64	F	
Singapore	84	79	F	72	64	F	
Tokyo	64	59	F	72	64	F	
Yokohama	64	59	F	72	64	F	

World Stock Markets

Via Agence France-Presse Oct. 23
Closing prices in local currencies unless otherwise indicated.

Amsterdam				London			
	Class	Prev.			Class	Prev.	
ABN	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	

Hong Kong				Singapore			
	Class	Prev.			Class	Prev.	
ABN	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	

Tokyo				Sydney			
	Class	Prev.			Class	Prev.	
ABN	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	

Paris				Zurich			
	Class	Prev.			Class	Prev.	
ABN	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	
ABN Holding	200	200		AA Corp	200	200	

10/24/85

